

# FORBES

APRIL 15, 194

*Magazine of Business*



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## Always Dependable

It's high praise for a product when referred to as "always dependable."

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The dependability of Dodge "Job-Rated" trucks brings you important benefits:

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ALL HAULING NEEDS

# DODGE "Job-Rated" TRUCKS

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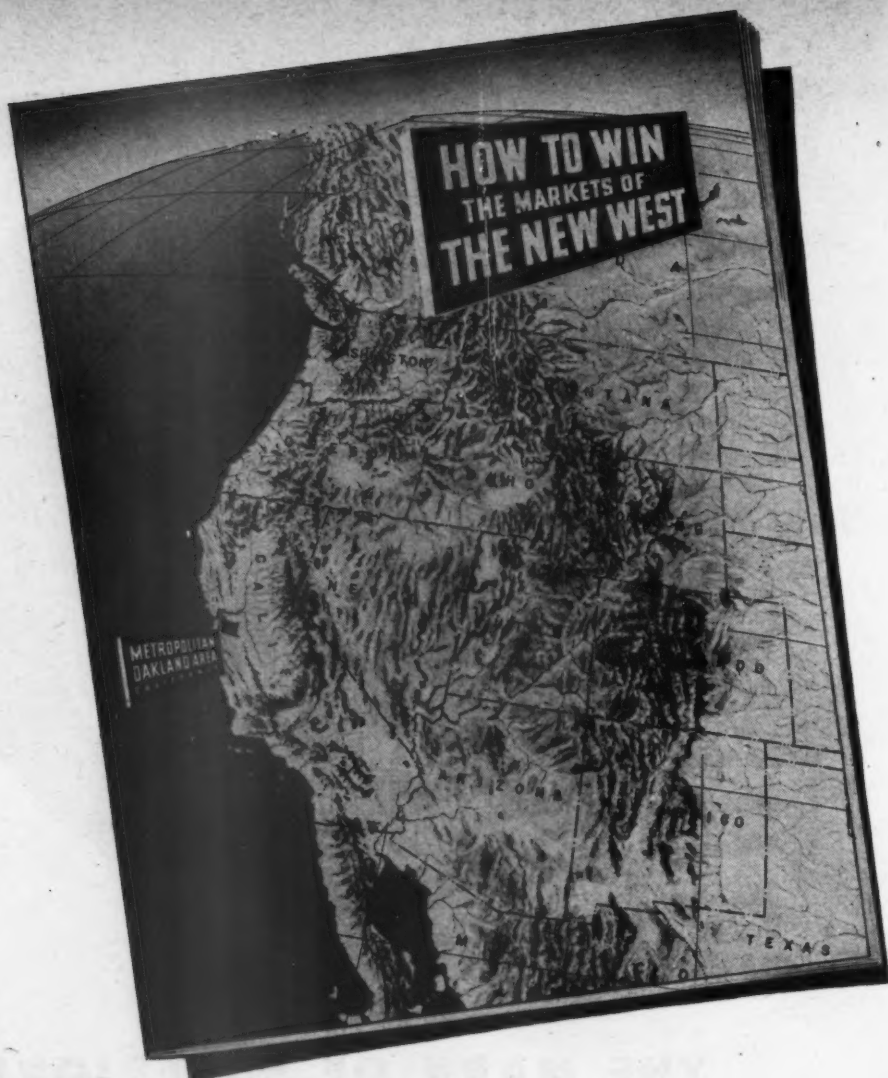
## THE MARK OF SUPERIORITY IN MODERN BUSINESS MACHINES

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FORBES



### WHAT'S AHEAD

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Cover photographed on Ansco film—  
David Berns, photographer

#### THREAT TO CAPITALISM?

Thirty years ago, in one of the first issues of FORBES Magazine, appeared this warning: "The basis of modern business is Service. Can this be so consistently and convincingly demonstrated to the people of humble social status that their attitude toward business and business men will be one of respect and esteem? Unless this can be accomplished in at least a moderate degree, the present economic order cannot last."

Prophetic words. And words which have an even greater significance to business today. For the inescapable, the sad fact is that industry has brought upon itself the grave troubles it has suffered during the last 15 years.

Next issue, then, in a timely, hard-hitting, straight-from-the-shoulder article, B. C. Forbes, Publisher of FORBES Magazine, appraises some of the weaknesses of industry's public relations programs.

You'll be interested in his forthright remarks on this most vital subject, including his specific suggestions as to what business and industry can do to cure economic illiteracy and win for the American system of private enterprise the recognition and favor it deserves.

#### MAN OF ACHIEVEMENT

From kite-builder to plane-builder—that's a thumbnail description of one of America's foremost aircraft builders—Glenn L. Martin. Long a major figure in aviation, a man who has spent most of his life building bigger, better planes, a perennial pioneer, as head of one of the nation's oldest, most successful aircraft firms Martin is still invading new fields of flight, still has his eyes focused on the future, a future, by the way, about which he's quite optimistic.

Next issue FORBES will appraise the man and his achievements, reveal some of his observations and predictions on the industry he did so much to build.

Forceful, outspoken, filled with the courage of his own convictions, Martin's views are of particular interest today, coming at a time when the industry is plagued by the host of problems incident to the big job of converting from a wartime to a peacetime basis.

#### FORMULA FOR FOREMEN

At a convention of the Foremen's Association of America, a union bigwig cited the case of a company whose foremen had resisted all efforts of the union to organize them. The reason? The company had successfully made its foremen feel that they were a part of management.

If you'd like to know how your company can achieve the same thing, how you can get and keep your supervisory personnel on your side, don't fail to read Lawrence Stessin's "FORMULA FOR FOREMEN"—in our May 1 issue.

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## 2-Line EDITORIALS

Congress will soon get steam up, pass vital legislation.

Don't buy overpriced things.

The best way to avert a bust is to check inflation.

John L. Lewis' latest action is a sop to his wounded pride.

How long until he is cut down, by law, to rational size?

Production is catching up.

Most stocks are the least inflated of anything you can buy.

Expect lowest-yielding corporate bonds to yield.

U. S. shipbuilding is going on the rocks.

Russia will go brazenly far, but won't court war.

She knows we have atomic bombs.

Farm commodities are at dizzy heights.

Nothing stays skyhigh permanently.

Avoid swollen inventories.

An exodus from Washington has begun.

But not fast or broad enough.

The proof of the business pudding is net profit.

Ease but don't eliminate rent controls.

Credit Truman with having selected some levelheaded advisers.

Also with some excellent appointments.

Britain is in a bad way.

Prediction: Her Labor Government will lose out by and by—but not for quite a while.

Rest enough—but avoid sinking into a rut.

We need lower prices rather than higher wages.

B. C. F.

FORBES



## Where the Weather Man is Chief Inspector

Before a fire-resistant Flintkote Asphalt Shingle is placed on the market, the Weather Man is boss.

In Flintkote Laboratories the Weatherometers make time really fly ... produce weather effects in a fraction of the time of outdoor exposures.

Typical of the fact-finding research behind every Flintkote Product hundreds of shingle samples undergo rigorous Weatherometer tests ... day after day.

And, year after year, thousands

more are standing tests by outdoor exposure on Flintkote Roof Decks all over the country. Some for as long as 20 years.

It's not enough for skilled scientists to say Flintkote Building Materials are good ... that they will give home owners long years of carefree service.

Until the *Weather Man* puts his stamp of approval on Flintkote Roofings and Sidings they do not leave our plants.

### Flintkote Makes Many Things

... more than 100 different products ... including dispersions of rubber and resins for coatings and saturants; industrial adhesives as laminants and sealers; protective coatings; paper and paperboard products. Our technical staff

may be able to help you as it has helped many industries for 46 years. THE FLINTKOTE COMPANY, 30 Rockefeller Plaza, New York 20, N. Y.; 55th and Alameda Sts., Los Angeles 54, Calif.; 25 Adelaide St. East, Toronto 1, Ontario, Can.



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**World-wide sales and services**, convenient to everybody in the United States and

in the principal cities of the world. Experience and time have taught the business world that an Underwood is always the happiest choice among typewriters.

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**These are the things** that make Underwood America's first-choice typewriter . . . that make Underwood "Typewriter Leader of the World."



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APRIL 15, 1947





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city west of Chicago and the third retail market of the nation, it has the important decentralization advantages of small towns. In addition, it has the production and service advantages of large cities.

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**Los Angeles**



IN THE WEST



IN YOUR INDUSTRIAL FUTURE

## READERS SAY

### LIBERALISM IN COLLEGES

In a recent issue of *FORBES* I noticed a reference to the fact that some of our colleges seem to be pretty far over on the liberal side. I think you will be interested in the fact that the students at Harvard have formed an organization known as the "Society for the Preservation of Free Enterprise," headed by a young man by the name of Anthony Neidecker.

I had the pleasure of speaking for this group a short time ago, and found them to be a group of serious-minded youngsters who seemed to have the right idea.—A. C. BRETT, treasurer, Hood Rubber Co., Watertown, Mass.

### LABOR RELATIONS

The article, "Keep It Simple," by Lawrence Stessin [March 1] had some good thoughts, but no basic principles were offered. It is one thing to say "Keep It Simple" and quite another to say "Make it effective and get desired response and action."

Mr. Stessin's article gives tips on how to enliven your messages and get workers to read and understand what you want to get across, but he doesn't list one thing that has to do with speaking in terms of the employee's self-interest. This one point, I believe, is the biggest factor in management and employee disagreements. We must talk in terms of the other fellow's self-interest if we are to get action as required. Incidentally, there is often a difference between a man's *true* self-interest and what he thinks is the true self-interest. I wish more articles could be published on this theme.—J. A. THOMPSON, San Leandro, Calif.

### CORPORATE EARNINGS

The following quotation, from the W. S. Tyler Co.'s "Through the Meshes," might be a good offset to many labor men's idea that all companies earn oodles of money and can raise wages and divide profits without limit:

"A Treasury report on corporate income tax returns in the 30 years from 1913 through 1942 reveals that, under the most favorable conditions, only four out of six corporations earn any net income. Under the most favorable conditions only one out of six earns money.

"'Competitive business,' comments Gen. Leonard P. Ayres of the Cleveland Trust Co., 'is both a profit and loss activity.'

"This fact, long known, is blinked by nine politicians out of ten. It is an ugly fact, unpleasant, for anyone to face."—THOMAS COX, Oakland, Calif.

### RECOMMENDED

I am a teacher of business subjects in high school. I have regularly read *FORBES* for several years. Reading it is the quickest and easiest way that I know to keep in tune with what is happening and what is going to happen in business. I sincerely recommend it to all teachers of business subjects.—N. E. OLSON, Tulare Union High School, Tulare, Calif.

**FORBES**

# COLUMBIA GAS SYSTEM in 1946

From the Annual Report of Columbia Gas & Electric Corporation

Columbia Gas System is now engaged principally in producing, purchasing, transporting and selling gas. During 1946, Columbia Gas & Electric Corporation complied with the Securities and Exchange Commission's order for geographic integration. This included the sale of its interest in The Dayton Power and Light Company and The Cincinnati Gas & Electric Company.

Columbia Gas System now consists of the parent Corporation, Columbia Engineering Corporation, the subsidiary service company, and nineteen subsidiary operating companies constituting a completely integrated system.

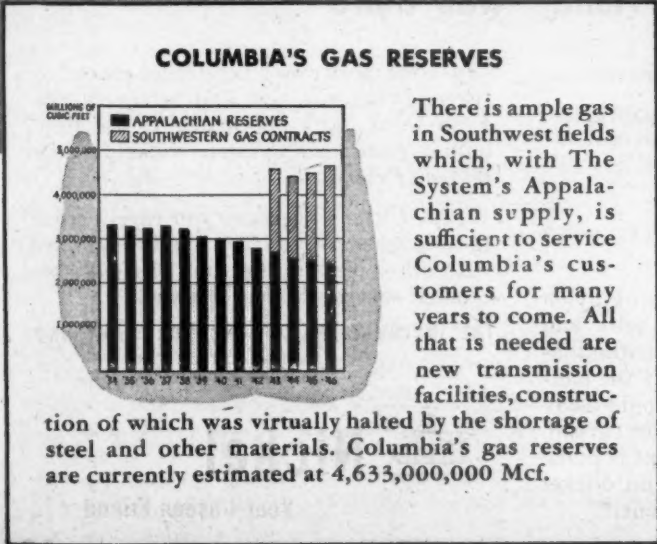
The System supplies directly or indirectly, about 1,500,000 residential, commercial and industrial customers in Kentucky, Maryland, New York, Ohio, Pennsylvania, Virginia, West Virginia and the District of Columbia.

During the year the Corporation redeemed its Bank loans, Debenture Bonds and Preferred and Preference Stocks and two new issues of Debentures were sold at lower interest rates. This refinancing leaves the Corporation with only one class of stock, subject to \$97,500,000 of debt in short term serial Debentures and long term sinking fund debentures—a sound and conservative capital structure.

| COLUMBIA GAS & ELECTRIC CORPORATION AND SUBSIDIARY COMPANIES<br>PRO FORMA CONSOLIDATED INCOME STATEMENTS |            |            |            |            |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | 1946       | 1945       | 1944       | 1943       | 1942       | 1941       | 1940       | 1939       | 1938       | 1937       |
|  | \$         | \$         | \$         | \$         | \$         | \$         | \$         | \$         | \$         | \$         |
| Subsidiary Companies:  |            |            |            |            |            |            |            |            |            |            |
| Gross Revenues   | 95,070,481 | 86,917,688 | 83,329,353 | 87,880,149 | 81,217,593 | 75,025,186 | 73,223,570 | 65,698,462 | 61,101,352 | 68,834,327 |
| Operating Expenses and Income Deductions   | 75,907,977 | 70,419,714 | 67,065,962 | 71,854,730 | 66,163,901 | 61,127,278 | 58,822,023 | 52,025,856 | 49,807,975 | 53,078,969 |
| Balance Applicable to Corporation  | 19,162,504 | 16,497,974 | 16,263,391 | 16,025,419 | 15,053,692 | 13,897,908 | 14,401,547 | 13,672,606 | 11,293,377 | 15,755,358 |
| Columbia Gas & Electric Corporation:   |            |            |            |            |            |            |            |            |            |            |
| Net Expenses   | 1,578,126  | 1,633,197  | 1,949,813  | 1,920,152  | 1,772,249  | 1,417,328  | 1,353,888  | 1,566,753  | 1,403,123  | 1,490,842  |
| Balance Before Fixed Charges   | 17,584,378 | 14,864,777 | 14,313,578 | 14,105,267 | 13,281,443 | 12,480,580 | 13,047,659 | 12,105,853 | 9,890,254  | 14,264,516 |
| Fixed Charges:   |            |            |            |            |            |            |            |            |            |            |
| Interest on Debentures   | 2,796,875  | 2,796,875  | 2,796,875  | 2,796,875  | 2,796,875  | 2,796,875  | 2,796,875  | 2,796,875  | 2,796,875  | 2,796,875  |
| Other Deductions   | 108,757    | 112,728    | 108,306    | 127,704    | 139,038    | 194,204    | 192,420    | 203,941    | 260,045    | 286,641    |
| Total Fixed Charges  | 2,905,632  | 2,909,603  | 2,905,181  | 2,924,579  | 2,935,913  | 2,991,079  | 2,989,295  | 3,000,816  | 3,056,920  | 3,083,516  |
| Consolidated Net Income*   | 14,678,746 | 11,955,174 | 11,408,397 | 11,180,688 | 10,345,530 | 9,489,501  | 10,058,364 | 9,105,037  | 6,833,334  | 11,181,000 |
| Consolidated Net Income per Share of Common Stock Outstanding  |            |            |            |            |            |            |            |            |            |            |
| Before Provision for Retirement of Debentures*   | 1.20       | .98        | .93        | .91        | .85        | .78        | .82        | .74        | .56        | .91        |
| After Provision for Retirement of Debentures*  | 1.04       | .81        | .77        | .75        | .68        | .61        | .66        | .58        | .40        | .75        |

The above statements are on a "pro forma" basis—that is, they have been restated as though the System during the periods covered had been the same as it is now. These "pro forma" statements and figures exclude, for the entire periods covered, the operations of companies which have been divested and give effect to the refinancing which has been completed. Only on this "pro forma" basis can information concerning past periods be given which is in any sense applicable to the present System; however it must be remembered that the present System did not exist as such in these past periods and the pro forma figures are of necessity restated figures, adjusted to project a present situation into the past.

\*The Indenture securing the Corporation's new Debentures requires the Corporation to make regular annual payments for the retirement of Debentures, ranging from \$2,000,000 in the years 1947 through 1949 up to \$3,700,000 in 1970. Although payments to retire debt are not, strictly speaking, charges against income, they must be taken into account in any realistic view of the balance of earnings which the Corporation will have available for Common Stock dividends. Accordingly, in the pro forma income statements for past periods, the net income per share of Common Stock has been shown both before and after deducting from net income an amount of \$2,000,000 for debt retirement.



The information set forth here is not given in connection with any sale, offer or solicitation of an offer to buy any securities.

## COLUMBIA GAS SYSTEM

- The Manufacturers Light and Heat Co.      The Ohio Fuel Gas Co.  
United Fuel Gas Company
- Amere Gas Utilities Company      Home Gas Company  
Binghamton Gas Works      Natural Gas Co. of W. Virginia  
Central Kentucky Natural Gas Co.      Cumberland & Allegheny Gas Co.  
Gettysburg Gas Corporation      The Keystone Gas Co., Inc.  
Virginia Gas Distribution Corporation





THE GOWN: A JAY THORPE ORIGINAL

## The Bride Wore Coal, Air and Water... and Your "Unseen Friend" was there

Of such stuff are dream-dresses made...

Yes, made by the chemist, who can transform commonplace materials like coal, air and water into glamorous materials like nylon tulle.

And helping create this beautiful gown is Your *Unseen Friend*, Nickel.

Every ingredient used in making nylon and rayon must be absolutely pure and clean. The slightest trace of contamination by metal used in equipment for handling the corrosive chemicals would delay the process or damage the slender thread. That's why processing equipment is made of corrosion-resistant Nickel and Nickel alloys, like stainless steel and Monel\*.

Just one more way Nickel helps manufacturers bring you new and better things. From your daily newspaper to the light bulb in your reading lamp, Nickel is Your *Unseen Friend*.

It's "*Unseen*" because you rarely see it in its pure state, as it is usually combined with other metals. It's your "*Friend*" because it serves you long and well.

THE INTERNATIONAL NICKEL COMPANY, INC.  
New York 5, N. Y.



# Nickel

...Your Unseen Friend

\*Reg. U. S. Pat. Off.  
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# Washington Preview

Concerted clamor from government's top spokesmen for industry to reduce prices is at least one part politics. That's not full story, of course, since business leaders have agreed for months that the price level is too high. NAM is also campaigning for a cutback.

Political record of pleading for widespread reductions will help Truman & Co. curry favor with unions singing the same song and also establish a position so the Administration can claim credit when price cuts do come.

Actual fact is that HCL is due more to government policy than to industry. Higher food prices account for 70% of zoom in consumer price index in past year, with gov't-supported farm prices chiefly responsible. Same story is true of clothing. These items are far more important to cost-of-living than industrial prices.

RECESSION FORECAST by 32 business paper editors:

Time: Between July 1 and Oct. 1.

Cause: Unduly high prices, and resulting consumer resistance.

Extent: Not severe, lasting not more than 6 months.

Exceptions: Automobile and petroleum industries.

NEW MINIMUM WAGE bill is due to emerge from pigeon-holes and at least get an airing this session. . . .Both labor committee heads, Taft and Hartley, have promised hearings when other bills are out of the way. . . .Best present guess is that minimum may be raised from 40¢ to 65¢ per hour but that union demands for 75¢ and broadened coverage will be beaten down.

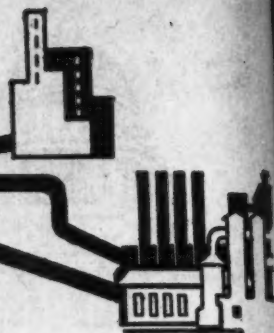
TRUMAN'S SECOND HONEYMOON of public favor is about over. . . .Very soon he will have tough decisions to make on GOP-sponsored bills for labor reform and tax cuts. . . . Whether he signs or vetoes, he makes enemies. . . .Congress won't co-operate by sending him mild enough bills so he can approve without alienating affections of many who have swung back into his camp.

Note: Truman is now regarded as sure-fire nominee of Democrats in '48. Other Democratic aspirants are grooming themselves as vice-presidential nominees. Justice Douglas is being talked again for v.p. on grounds he would insure support by "liberals."

BUILDING CONTROLS probably will be dropped by Fall, all restrictions on non-residential construction and allocation of materials eliminated. . . .While Housing Expeditor Frank Creedon opposes Wolcott bill to end these controls right away, he thinks veterans' housing may be far enough along by the last quarter to take off all shackles.

TAX CUT DELAY may be blessing. . . . All indications continue (Continued on page 13)

# The BUSINESS *Timeline*



**AUTOMOTIVE** Silver lining: Good levels of production--despite continuance of some materials shortages--plus a more favorable labor relations atmosphere, are heartening manufacturers. Individual productivity is reported to be rising, while the recent wage settlement in the rubber industry augurs a comparatively favorable resolving of the UAW's demands. It's even being bruited about that 1948 models might make their appearance earlier than anticipated--barring "unforeseen developments."

**RUBBER** No price increase for rubber products--that's the estimate of industry leaders despite the industry-wide wage hike. They're keeping mum on any price reductions, however. . . .Renewed forecasts of tire supply-demand balance in the near future should encourage motorists. Rubber sundries, also, are expected to prove more plentiful than in 1946. . . .Congressional headache: Fashioning the claims of synthetic, natural and reclaimed rubber into a "long-term rubber insurance policy."

**AVIATION** Increased revenues from higher passenger fares are expected to alleviate, but not solve, some carriers' financial problems. For instance, many new planes will be needed, to provide lower-cost operation. Funds to pay for these, plus need for additional working capital, will pose a financial challenge. . . .Something the aircraft builders worry about: If military procurement is reduced, both research and manufacturing phases of the industry will be seriously hurt. However, they're counting on a new foreign policy to better their diet.

**TELEVISION** Now that the color vs. black-and-white controversy has been settled, main task facing set producers is to bring down the price within reach of the average purse. High component cost is said to be a prime obstacle standing in the way of mass market exploitation.

**PLASTICS** The over-all supply situation is not expected to improve materially within the next six months. Why? Expansion programs of plastic manufacturers are reported to be six month's behind schedule, while some observers feel that an ample basic chemical supply by 1948 is doubtful.

**INSURANCE** Taking new role in national economy: Growing importance of insurance is evidenced in the fundamental changes taking place in its writing, buying and use. Industrial coverage is now being extended from mere plant and property protection to the protection of earning power and human resources. . . .Significant: Continuance of rigid wartime rate controls will increase life insurance costs, jeopardize the effectiveness of the insurance companies, according to a recent public debt study.

**PAINTS** Despite the greatest quantities of raw materials available in history, such supplies are said to be short in the face of current requirements. Incidentally, raw material costs for the industry are now 93% higher than pre-war levels. Any future price decline in component costs is expected to be passed along to consumers. Meanwhile, pigment shortages, container scarcities, are currently presenting difficulties.



**RAILROADS** Increased passenger fares, it's hoped, will aid Eastern roads in overcoming operating losses, provide means to improve public services. 18% of their total revenues come from passenger travel, and with declining traffic, keener competition, they face a hard road. . . . Good example: Robert Young's aggressive innovations in C & O rail travel are helping to better the lot of the passenger.

**SHIPPING** Desperate need for passenger ships may force Congress, willy-nilly, to extend authorization of the Maritime Commission's operation of passenger tonnage. For July 1st, deadline set for cessation of government operation, will find the seas virtually stripped of American-operated passenger ships. Further trouble: Stepped-up shipments of coal and grain to Europe are expected to cause a severe tonnage pinch in cargo vessels about the same time.

**COAL** Strengthening Lewis's hand? Creation of a new multi-million dollar fuel industry, based on recently announced processes for making gasoline and gas fuel from bituminous coal, will make it even more difficult to deal with the miners' leader.

**DISTRIBUTION** Retail trade statistics continue to disappoint. However, it's hoped that price concessions, quality improvements, will help offset consumer resistance in soft goods. Reason for decline? One study indicates that national income at present is insufficient to support the prices asked for all the goods that are being produced. Meantime, purchasing agents are on a "hand-to-mouth" basis, and extreme caution in management of inventories is noticeable.

**HOUSING** The key factor of costs, not materials, dominates thinking about current building programs. Growing recognition that practical cost reduction is a local problem, calling for a community approach, is a healthy sign. "Engineered" housing, training courses in materials distribution, meetings held by local home building associations, all aim at producing ways and means of turning out a good house at minimum cost.

## Washington Preview

(Continued from page 11)

to point toward a Treasury surplus this fiscal year--first time the books have balanced since 1930. . . . With possible surplus on June 30 estimated as high as \$3 billion, outlook for tax reduction should be much improved by time Congress takes final action. . . . Veto of tax bill will be talked but is hardly likely to materialize. (Taxpayers also are voters).

**MORE WOMEN WORKERS** are re-entering the labor market. . . . Female employment hit 4-year low last February (although still 25% over pre-war), but since then thousands of women have started back hunting jobs. . . . Latest Census figures show strong trend.

**INTEREST RATE** on income tax refunds will be cut by Congress. . . . Law now calls for 6% on overpayments refunded after April 15. . . . Treasury regards percentage as "entirely unrealistic," meanwhile charges deliberate overpayments to get the interest. . . . Congress sees relatively painless way to save money by cutting rate as low as 2%.

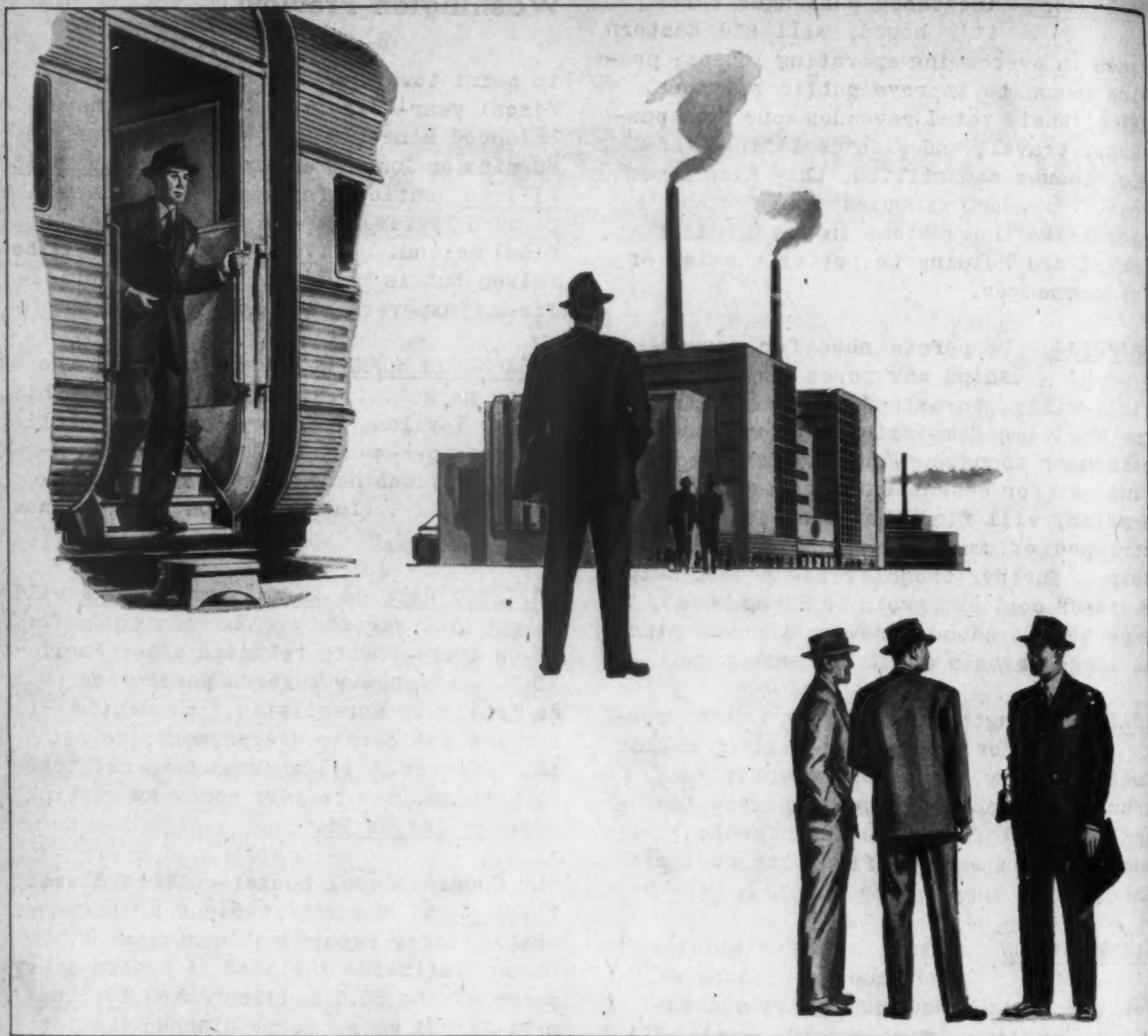
Why Congressional budget-cutters develop thick skins and resist pleas of bureaucrats: Labor Department's Bureau of Labor Statistics insisted it needed every penny of the \$6.7 million asked for the next fiscal year. House slashed the total to \$2.37 million after scanning this record:

1. BLS got along on a mere \$850,000 a decade ago.
2. So-called "national defense" costs accounted for 2/3 of peak wartime budget of almost \$4 million, yet budget continued to rise without "national defense" appropriations.
3. All-time BLS budget high was just under \$5 million in '47, yet Truman's "rock bottom" estimate for '48 was up 1/3 over the record.

*Gene Robb*

Editor, Washington News Bureau.





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*Ernest E. Harris*  
President



## SOUTHERN RAILWAY SYSTEM

*The Southern Serves the South*

# Fact and Comment

BY B. C. FORBES

## Should Huge Corporations Expand?

Dinosaurs, too big, became extinct. The Roman Empire, over-expanded, fell. And the farflung British Empire is shrinking.

Is it possible for ambitious American industrial, financial and other leaders to overdo expansion?

By their very nature, certain concerns must keep abreast of the country's growth. The Bell Telephone System, already the largest business entity the world has ever known, is under obligation to keep on spending and spending enormous sums to provide needed telephone service. But should some other towering industrial giants reach out to establish and vigorously exploit sidelines? Should they not, as the Telephone Company does, stick to their last?

Is it advisable, for example, for our gigantic auto manufacturers to branch into air conditioning, refrigeration, etc.? Should any rubber company set up stores to sell things outside of its own field?

What of such energetic enterprises as du Pont, General Electric, Westinghouse? True, they maintain vast research laboratories, employ brilliant inventive brains, originate new products. That they should exploit them most aggressively is perhaps natural. But how will the public—and the politicians—react if such giants aggressively go on growing and growing?

Take Aluminum Company of America. In my judgment, its attitude towards competition has been wrong as could be. I tried, but all in vain, years ago, to impress upon the management that they should welcome rather than resent competition. And when I published an article about the activities of a competitor who sprang up, the short-sighted Aluminum gentlemen in command ceased doing business with this publication. I not only recalled to them that Standard Oil was disintegrated because of its monopolistic proportions, but, more to the point, that when the Government sought to bust up the United States Steel Corp., the Court, in refusing, emphasized that had the corporation been operating more than 50% of the entire steel industry, it would have decreed dissolution. Certainly the Aluminum Company has for many years done far more than half the aluminum business in America. I want to add that the Court gave the Aluminum Company a clean bill of health and that, apart from its asinine attitude towards competition, the management has acted ably, progressively, has repeatedly reduced prices voluntarily.

'Tis generally accepted that an organization can become so tremendously widespread as to be unwieldy, inefficient. I am less concerned with this phase of this momentous subject than I am with the ultimate possible consequences

politically, socially, economically. As I see it, there loom dangers that public and political resentment will be incited if our already most colossal companies continue to branch out, especially into other fields, and convince the people and the government that a halt should be called.

Nobody can accuse me of having opposed the upbuilding of the world's most powerful industrial and other enterprises in this country. Our foremost concerns were mainly responsible for America's ability to conquer world markets, responsible for developing our unparalleled exports, responsible in great measure for the winning of the World War. We most assuredly do not want to witness the tearing down of our most efficient mass producers.

Nevertheless, I have an uneasy feeling that the time has come for the brainy stalwarts administering these massive organizations to give very serious thought to their future policy. Should they reach out unrestrainedly, acquiring vaster and vaster interests, travel farther along the road towards monopoly, dominance? Or should they pause to reflect on what the final consequences of unrestrained growth may be?

These questions deserve the most serious, long-visioned pondering.

★

*Selfishness is suicidal.*

★

## Truman's Stock Rising: Reasons

Discovered on a visit to Washington: President Truman's popularity has risen most substantially. Three principal reasons adduced are: First, his effective stand against the attempt of John L. Lewis to override the United States Government. Second, the Truman-Marshall determination not to bow the knee further to Russia—although many have serious misgivings concerning the ultimate outcome of supplying Turkey and Greece with money, materials, trained men. Third, the President has made a number of outstandingly fine selections for highly important positions at home and abroad.

Moreover, the Republican Congress has not thus far lived up to expectations. Too much jockeying and bickering among the Party leaders, too much delay in enacting vital legislation. The people are still at sea as to what will happen taxwise and in the crucial matter of labor regulation. Little concrete progress, it is complained, has been made to fulfil the loudly-proclaimed campaign promises to reduce governmental expenditures drastically; and some of the cuts made have aroused criticism.

The prevailing view at Washington is that, whereas



the conviction immediately following the November election was that 1948 would assuredly bring a Republican President, the outlook since then has become much less certain, that it is up to the Republican Congress to improve its record greatly between now and then.

## More Business Men Earning Honors

Walter S. Gifford, the brainy, patriotic president of American Telephone & Telegraph, has just received an award presented annually "to the man or woman in any industry whose accomplishments are towards the betterment of mankind." An increasing number of business leaders are earning signal recognition for their *pro bono publico* contributions. I have long noted that the busiest men, those occupying positions of towering responsibility, are foremost to take time to render unselfish public service, to further human wellbeing. To cite only a few examples:

Chairman Winthrop W. Aldrich of the Chase Bank, for years the largest in the country, has won conspicuous recognition in this field. A. P. Giannini, the veteran head of what is now the largest bank in the world, Bank of America in California, years ago dedicated his fortune to the education and advancement of his bank's employees. A. P. Sloan, long head of the largest automobile company in the world, General Motors, gave \$10,000,000 to a foundation dedicated to the furtherance of economic education. We all know how the present John D. Rockefeller has consecrated his money and his time to worldwide philanthropic purposes. (Incidentally, his oldest son, John D., 3rd, is also consecrating his life to philanthropy; while a younger brother, Nelson, recognized as a business genius, has divided his time among strictly business purposes, public service, and, more recently, in endeavors to advance the economic conditions of Latin American peoples.)

"If you want something done, get a busy man to do it." The fact is that the percentage of men shouldering the greatest business responsibilities who find time to render patriotic, public, philanthropic service is much larger than the percentage among less busy, responsible men.

This dedication by business giants of their money and services to worthy purposes is much more admirable, to my mind, than are multimillionaires, like Russell Sage, who devote themselves solely to accumulation during their lifetime, no matter how worthily they bequeath their fortunes. After all, there are no pockets in shrouds, as James J. Hill acutely enunciated.

This growing habit among eminent men of affairs of devoting themselves, while still active, to serving the public interest nobly, is altogether praiseworthy, gratifying. May their tribe increase!

## Business Example Worth Following

Leading British companies have long followed a custom which could be profitably adopted here. Economic illiteracy is notoriously prevalent in this country. Farsighted citizens profoundly recognize the urgency of doing every-

thing possible to spread economic enlightenment. As one of many, many steps towards this end, American companies should follow the British example by reporting their annual meetings through paid advertisements in newspapers and appropriate periodicals. At British annual meetings the Managing Director, equivalent to the Chairman or President in America, invariably makes a statement summarizing the year's financial results and commenting upon matters affecting the company. These speeches are printed in full, in advertisements ranging anywhere from half a column to three columns.

Thus the British people are better informed than are Americans on business and economic conditions and problems. Big Business and High Finance in America have lamentably failed to recognize the value of familiarizing the people with economic, financial facts, with how their functioning contributes to the national wellbeing, to raising our standard of living. Our heads of large enterprises have concentrated so much on production that they have neglected other facets of their responsibilities, especially the dissemination of economic enlightenment, the cultivation of the right kind of public relations.

Let American industry take a leaf out of Britain's book.

★

*Sharp practices blunt.*

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## Accident, Fire Losses Disgraceful

Killed, 100,000; injured, 10,400,000—to say nothing of the financial loss, computed at far over \$5,000,000,000. That was the toll exacted from America, by accidents, in 1946, as reported by the National Safety Council. Fire losses for the last 12 months exceeded half a billion dollars—23½% greater than the previous year—with a tragic sacrifice of over 10,000 lives.

Palpably, this is disgraceful. Many of our largest corporations pride themselves on "No Accident" records. But not enough is being done by industry, by government bureaus, by individuals, to reduce all kinds of accidents.

President Truman has wisely called a Conference on Fire Prevention, the first of its kind. Experts from all branches of industry, fire chiefs, fire marshals, city planners, city managers, mayors, legislators, as well as fire protection engineers have been invited to attend a three-day meeting, which President Truman will address.

The American Hotels Corp. has published an eight-page report on hotel fire prevention and protection, for hotel managers. They urge closer co-operation between hotel managers and city fire departments.

Each one of us can do his share. The National Board of Fire Underwriters makes the following safety suggestions: Clear out debris; watch outside fires; clear out paint and oil rags; check your fuses; avoid flammable liquids; check stoves and heaters; check pipes and chimneys; check ash receptacles; plan needed painting and renovating—and warn smokers to be careful. Write to the Board, at 85 John St., New York City, or ask your local fire insurance agent, for four-page folder, "Clean Up Your Premises."



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Great Trucks*



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# INTERNATIONAL Trucks

# Men of Achievement

## Robert Boyd McColl

By ELMER M. SHANKLAND



**W**HEN "Bob" McColl left Scotland for the New World, his father gave him a bit of homespun Scottish philosophy: "Laddie, be sure you are at least 51% right at all times and you will get ahead. If you find you're only 49%, you had better come back to Scotland."

That was some 40-odd years ago, and Robert Boyd McColl, president of the American Locomotive Co., has returned many times since—but only to visit. This incident illustrates a deep-rooted character trait which he expresses as follows: "Be sure you're right, then go ahead." It has stood him in good stead through a career that covers three nations, spans almost half a century.

In appearance neat and well-groomed, McColl is extremely self-contained, gives the impression of a man who has worn well through an arduous business career. As a matter of fact, he is a prime example of one of his favorite expressions: "The most important thing for the individual is to wear well in life. Some men sweep you off your feet at the first meeting, but later show weaknesses in character not evident at the first glance. Somehow, they just don't come up to expectations. *To be a 'stayer' a man has got to be consistent and honest in his dealings with others.*"

Not a dour Scot, McColl's apparently sober mien is quickly dispelled by

ELMER M. SHANKLAND is an Associate Editor of FORBES.

his good humour and joviality. He has a reputation for telling salty stories, which take added flavor from his still noticeable Scottish burr. A non-smoker, he will take an occasional drink—Scotch, of course. He admits to having a favorite brand, and adds, with a twinkle in his eye, that naturally he is a stockholder in the company.

His basic philosophy is the Golden Rule, which he applies assiduously to all his activities, both business and private. No advocate of a pious "success" formula, he consistently follows this rule, simple but so hard to live up to, of doing to others what he would have them do to him. And it has paid him substantial dividends, both spiritually as well as materially.

Asked what qualities he considered to be essential for a young man enter-

ing the railroad business. After attending the local schools, he went to work for the Glasgow and Southwestern Railroad, following in the footsteps of his father and grandfather. While serving a rough, tough apprenticeship in the yards and shops, he gained his technical education at nights in Glasgow. This experience was supplemented by a short stay as a draftsman with Robert Stephenson & Sons, original builders of the steam locomotive. Then, feeling he had gained enough basic "know-how," he decided to strike out in a new clime. He chose Canada, where he joined the Montreal Locomotive Works. His work there, plus the bang-up job he did in producing munitions during World War I, brought him an attractive offer to go to England. His stay was short, how-

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**Still pioneering after a lifetime in the railroad industry, "Bob" McColl continues to be a "futures" man, is helping our roads to achieve another revolution in transportation**

---

ing business today, he stressed loyalty, perseverance.

"Frankly," he said, "I think a man is usually no smarter or more capable than others about him. If he gets to the top it's more often than not because he is more diligent, more consistent, thereby gaining the rewards."

A modest man, McColl deprecates his own steady rise: "It seems that I've always been around when promotions were handed out." But his career belies this disclaimer. A recognized production "genius," his managerial forte is versatility in the handling of men and machines. Important tools in his rise to the top were his abilities to make a quick decision, to delegate responsibilities to the right persons, and make a few words go a long way.

A native of Kilmarnock, Scotland, he's a third generation McColl in the

ever, and he was soon back in North America again, this time with the American Locomotive Co. in New York.

This was his final choice. His advancement was steady and uneventful. He handled various production jobs for the company and its subsidiaries, always uniformly well, then, in 1940, took over the duties of top production man as vice-president of manufacturing. It proved to be a man-sized job. Directing American Locomotive's huge war production schedule, he fostered mass production techniques for weapons, munitions and locomotives. A key figure in the country's war production program, he has had scant publicity about his efforts, preferring, with typical reticence, to remain in the background. But his unflagging energy and truly remarkable achievements drew



high praise. As a result, at the war's end he was elevated to his present position.

Both American Locomotive and McColl have gained from this action. Strictly a "futures" man, he looks ahead to a tomorrow of great promise: "We look to the future with anticipation. We have been building locomotives for 100 years, but we are full of young ideas, and we have an organization of men who are doing young, fresh, original thinking. We face the future conscious that history is in the making. The railroad industry, we think, is entering a second period of greatness. And we intend to have a big part in that future."

Putting this thought into practical operation, American Locomotive, under McColl's able guidance, has completed the transition from the primary function of constructing custom-designed steam locomotives to the mass production of a completely new line of Diesel-electric models. Moreover, it has mod-

ing spent his entire lifetime in and with railroads, what he has to say on the subject is of paramount interest: "I think it is accurate to say that *the railroad industry in this country is on the threshold of a technological revolution—and is already well into the earliest stages of it.* There is every good indication that the railroad industry has started on a change-over from steam power to Diesel-electric power, with all that this implies."

Recent figures bear witness to this statement. Ownership of steam locomotives in 1946 reached the lowest point in almost 50 years. Eighty-three new steam locomotives were installed during the year, contrasted with 480 Diesels. Six hundred and four new locomotives were on order January 1, 1947, of which 534 were Diesels, 64 steam, 6 electric. This trend has accelerated during the first quarter of 1947.

At a time when labor relations are paramount, McColl's long-time experience with unions has been invaluable to the company. Having come from a country where the union has been a traditional part of the economy, he has probably had more experience with industrial unions than most top executives in America today. Result: The company's labor relations in 1946 were uniformly good, are expected to continue that way. "McColl himself feels that *"Were labor-management relations always conducted on a local basis, many of the problems of today would certainly not have arisen."*

In comparing this country's labor leaders with those in Scotland, he says: "Union leaders here are still in the organizing stage. They have not yet reached the accepted, responsible position held by leaders overseas." But he thinks that industrial unions here will settle down in time after going through a period of adjustment. And he is strongly convinced that a little dose of

the Golden Rule, judiciously applied, would do much to solve the problem.

In keeping with his character, McColl's business day is steady, uneventful. At his desk in an austere appointed office before nine each morning, he doesn't get away until after five, just in time to get caught in the subway rush hour. The only break in his routine is when he goes up to the Schenectady works for several days each month. There, too, he puts in regular hours, pays strict attention to business. While universally liked by his subordinates, they dread his plant visits. For, belying his sedentary existence in the New York office, he walks for miles on tours of inspection, darting in and out of corners, noticing everything, never missing a trick. At the end of the day he is still going strong. His stamina can be attributed to his youth, when he was a noted walker, a good footballer.

His interest in sports is as strong as ever. While his active participation at present is restricted to an occasional game of golf, he is an ardent follower of big-league baseball. In fact, his devotion goes so far that he always totes a portable radio during the World Series, to make sure he doesn't miss anything. He prides himself, too, on knowing all the players' names, keeps up-to-date on their batting averages. This same close interest extends to hockey, with which he became enamored during his Montreal days.

#### NO VACATION IN EIGHT YEARS

A great believer in vacations, he urges executives to get out and away from the job from time to time. "There's never a *good* time for an executive to take one," he says. "The only thing to do is just set a definite date, and then go." However, his associates point out that he doesn't live up to this advice himself, hasn't been away from his work in eight years. But he's planning to go to Scotland this year, is looking forward to a motor tour with his brother.

McColl belongs to a number of clubs, but doesn't take active part in their affairs. "I might find myself too much in opposition," he says with a wry smile.

Not professing to be epicures, both he and Mrs. McColl love to dine out, are always seeking small, quiet restaurants serving good food. No nightclubber, he practices the old saw of

(Continued on page 28)



With F. G. Gurley, president of the Santa Fe Road, McColl views a railroad art exhibit

ernized its executive organization to meet changing conditions in the railroad equipment field. Adopting the vertical line system of management control, new responsibilities have been assigned to key executives, in keeping with McColl's policy of giving greater responsibility to young men.

McColl himself is a pioneer in the development of the Diesel engine. Hav-



# Australia—Land of Opportunity

By A. WYN WILLIAMS

**T**HE new outlook forced upon the vast continent of Australia by World War II opens a wide vista of opportunity to American capital, American manufacturing interests and the individual American with a pioneering spirit. Present plans indicate that the country will see a greater development—and in as short a period—than did the U. S. when the grandfathers of the present generation heeded the call to open up the West.

Three main facts, responsible for the new outlook, have emerged from the war: (1) Australia needs more population. (2) She needs more industries. (3) She must take advantage of the strategic position she holds in the economy of the Pacific.

She has set herself the task of remedying, as rapidly as possible, her past deficiencies in all three respects. Al-

area a little smaller than the U. S. While a good deal of the country is uninhabitable, because of its desert character, estimates show that it is capable of supporting as many people as there now are in the whole U. S.

But Australia's immediate population plans are less ambitious, are epitomized in the slogan now current in the country: "Twenty-five million in twenty years." A tripling of the people in such a short time is a faster rate of growth than occurred in this country at the peak of its population growth. With rapid increase in population always goes the expansion of business and markets for those ready to take advantage of them.

Where is this increased population to come from? In the past, the British Isles provided Australia with most of

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**On the threshold of an era of vast industrial expansion, the "land down under" offers enormous promise to American capital, manufacturers, small businesses, individuals**

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ready, American capital and American manpower have begun to play their part in her plans.

As regards population, the attack on Pearl Harbor awoke Australia to a sudden realization that her past policy of restricted immigration and slow growth had been a mistaken one. It did not provide the country with even the minimum of manpower needed to defend her heritage from covetous Asiatic neighbors. Therefore, Australia is changing her immigration policy and welcoming new settlers. And there is plenty of room for expansion. At present she has a population of less than seven and half million, in an

her settlers. That source is now dried up, because the low birthrate has actually created a shortage in the ages that ordinarily venture abroad. Australia is, therefore, attracting people from other sources. Young Americans, whose standards of culture and mode of living are similar to that of the Australians themselves, are especially welcome. GIs stationed in Australia were granted the privilege of receiving their discharge there. Hundreds took advantage of the opportunity.

Several thousands more who returned to the States have indicated their intention of going back as soon as passage can be arranged. Nor does the enterprising young American find his mode of settlement haphazard. If



Sydney harbor and bridge, the longest single-span arch bridge ever built

he has not already found employment in advance with an Australian employer, the Government will help him. A detailed computation has been made of the ability of each industry to absorb additional help and of the labor shortage in each state. If necessary, the Government even provides free transport from the port of disembarkation to the settler's destination.

It might be asked what the additional population will find to do in Australia. Generally, what the additional population of the U. S. found to do when this country was expanding so rapidly in the 19th Century and the early part of the 20th. Conditions in Australia today are analogous to those before the U. S. was transformed into the mighty industrial power it now is.

A hundred years or so ago, the U. S. was an agricultural country, but with unbelievably rich natural resources underneath the earth's crust waiting for industrial skills to exploit them. Australia is in a similar position today. So far, she has cultivated her agricultural wealth and supplied the world with wool, wheat, butter, meat, etc. But she is also unbelievably rich in virtually all the natural resources that the U. S. possesses, except oil.

She has in sufficient abundance the two essentials of modern industrialization: coal and iron ore. The quality of the latter even excels that found in the Mesabi Range, the basis of the industrial strength of this country. The

A. WYN WILLIAMS is a Contributing Editor of FORBES.

metal content of Australia's iron ore is over 60%, as against some 50% at Mesabi and only some 22% in the iron deposits of Great Britain.

It is, therefore, no wonder that Australia has the lowest cost production of pig iron of any country in the world, turning it out at a cost nearly 25% cheaper than even the U. S., generally regarded as an exemplar of low-cost efficient production. In addition to coal and iron, Australia also has the principal metals of the electrical age, copper, zinc, and lead, as well as practically all the other rarer metals used in modern industry: molybdenum, cadmium, even platinum, thorium and uranium in small quantities. Thus she is well equipped in natural resources for her projected industrial expansion.

#### MANY AMERICAN ENTERPRISES

As a measure of the manner in which this expansion is being speeded up may be cited an increase of nearly 75% in industrial workers in 1946—compared with 10 years previously—and an increase in manufactured goods of nearly 80%. The value of electrical products made in the country has more than doubled. Whole new industries are being established to manufacture goods which Australia previously had made for her abroad. Most prominent among these are automobiles. Leading American companies are investing capital in Australia to build complete cars, instead of simply assembling them as was once the custom.

Besides the automobile companies, many other American firms are now planning to set up new manufacturing facilities or to extend existing ones. The following partial roster shows how broad a cross section of American industry is represented: California Textas Co., Cole Co. of California, Dorr Aluminum Co., Julius Kayser, Kaiser-Frazer, The Rheem Manufacturing Co., Burlington Mills, Firestone Rubber Co., Mineral Pigment Corp., I. Miller Co., Westclox, Sterling Drug Co., Bitumen and Oil Refineries, Bucyrus Co., International Harvester Co., Vacuum Oil, Rubtex Elastic Co., Central Automatic Sprinklers, etc., etc.

Australia's industrial expansion program presents unlimited opportunity for workers, whether with hands or brains. Rapidly expanding export markets for tinned goods in the Far East are creating a heavy demand for

those skilled in processing and packaging. Similarly, other Australian industries which have found rapidly expanding export outlets—textiles, machine tools, chemicals, drugs, etc.—need those expert in the manufacture as well as in the distribution of their products.

There will be opportunity for the engineer in the vast conservation projects Australia has for her few but precious rivers. Railroaders can utilize their experience in the plans Australia has for railroad expansion, as well as for changing her many gauges to uniform specifications. The new paper mill industry, as well as the housing shortage, has even put a premium on the lumberjack. There is probably a greater dearth in Australia of those familiar with the building trade than in any country with a similarly high living standard. Tuna fish abound around her coasts, only awaiting the deep sea fisherman and the canner. Australia even plans to revive her tropical pearling industry, providing



The world's largest steel mill outside the U. S., this Australian plant runs at lowest production cost anywhere

an opening for those skilled in the rare trade of diving. In short, an expanding economy, such as Australia plans, affords limitless opportunities to almost everyone.

The new industries of Australia are being developed with capital partially from American sources, partially from Australia. She is one of the few countries, in these days of financial uncertainties, to which capital is flowing with the utmost confidence. In the past year she has been unique in finding no difficulty in floating three loans in this country from private sources.

Apart from wishing to be on the ground floor of Australia's industrialization, in order to take advantage of the Australian domestic market, there is another reason why American interests are establishing themselves

there. Australia is the strategic point from which to supply, cheaply, the expanded markets that are expected to develop from the new awakening of Asia. India, Siam, Indonesia are all countries that are expected to modernize their way of life as a result of contact with industrialization in a highly mechanized war. They are vast potential markets where goods can be sold cheaper if made in Australia rather than in the U. S. or European industrial countries. For it is a peculiar phenomenon that Australia, despite one of the highest standards of living in the world, is a low-cost production country. Because a basic wage is fixed by the Commonwealth Arbitration Court only at the amount industry can afford to pay, labor costs are low by American standards.

The average industrial worker receives less than \$20 weekly. Yet his standard of living compares favorably with the American workman because his living costs are so much less. A pound of choice steak has never cost more than 30 cents, any average meal costs less than a dollar, and rents are hardly a third of what they are in this country.

There is another aspect of Australia that is not overlooked by industrialists interested in the international markets. With the sudden arrival of the atomic age

it is the one place on the globe that is so remotely situated from centers of industrialization that atomic weapons cannot be secretly launched against her. Australia is ideal for the policy, enforced by the atomic age, of safe dispersal of industry.

You will hear a lot about Australia in the next few years. Wall Street is no less busy devising means to find the capital that Australian industrialization plans will want, than is Pittsburgh or Detroit in providing the necessary metallurgical and engineering skills. But while the greater emphasis is being laid on Australia's industrial program and on the need for the capital, craftsmen and the engineering skills that will develop it, the welcome sign is equally out to agricultural settlers.



# Industry's Strike Doctors

By LAWRENCE STESSIN

**W**HATEVER else may be said of some government agencies, one—the U. S. Conciliation Service—is performing a notable job. With a minimum of horn tooting, its 300 strike doctors have answered over 13,000 emergency calls during the past

year, and only 5% of its labor-management patients succumbed to strike fever.

Yet, despite the record, *the real potential of the Conciliation Service is being only partially used by industry*, because both management and labor

have hearkened to a slew of false notions about its functions.

To scrape off some of the prejudicial moss which has grown around the Conciliation department, here are some questions and answers on how the agency functions:

## If You Need Aid in Labor Disputes

*Q. What is the U. S. Conciliation Service?*

A. An agency established to encourage and promote harmonious labor-management relations. Its Commissioners of Conciliation aid in the prevention as well as settlement of all types of labor disputes.

*Q. Who are the Commissioners of Conciliation?*

A. Trouble-shooters and *strike doctors* for labor-management ills, it is the job of the Commissioners to help disputing parties find *their own solution* to their problems. The Service has a staff of 300 Commissioners. Some of these men have been personnel managers, employers, lawyers, labor leaders, and government representatives.

*Q. What types of cases does the Service handle?*

A. All types: strikes, lockouts, threatened strikes, controversies, and sundry disputes. Commissioners endeavor to settle these disputes through voluntary methods of conciliation, arbitration or technical surveys.

*Q. Is the Conciliation Service a new agency?*

A. No, it was established in 1913.

*Q. How can the aid of the Conciliation Service be secured?*

A. Any representative of labor or management can secure the services of a Commissioner by writing, wiring, or phoning the Regional Director of the Service in the region in which the dispute occurs, or by contacting Edgar Warren, Department of Labor, Washington, D. C.

*Q. Are the qualifications of Commissioners considered when assigning them to cases?*

A. Yes, they are chosen for their knowledge and experience in labor-management relations. Before they are permitted to handle cases they are put through an intensive training program which emphasizes the voluntary and impartial character of the work done by the Service. This training is then supplemented by a field training program, during which the Commissioner has an opportunity to work with varied experienced Commissioners. No Commissioner is permitted to handle a case until he is thoroughly prepared.

*Q. What techniques are used to settle cases through conciliation?*

A. When a Commissioner enters a case, his first efforts are directed toward getting a clear picture of the whole situation. He interviews both parties, attempts to plan a joint conference. He tries to siphon off any feelings of animosity or ill will, to create an atmosphere of fair dealing and open consideration. He does not dictate a settlement.

*Q. Should management wait until the union calls in the Conciliation Service?*

No. It's better strategy for the company to beat the union to the punch and wire for a Conciliator as soon as the union begins to show signs of aggressive action.

*Q. Can the Conciliator force the employer to make a settlement?*

A. Absolutely not. The Conciliator merely "suggests" or works out a variety of solutions.

*Q. If that's so, then why call a Conciliator at all?*

A. Experience. These men have a collective knack of finding a way out. Another important reason is the psychological one. If an employer calls in a Conciliator, it shows his willingness to make a reasonable settlement.

*Q. Aren't all Conciliators labor-minded?*

A. No. This misconception runs both ways. There are labor officials who will resist conciliation because they think that the Commissioners are pro-employer.

*Q. Then why is the Service in the Department of Labor?*

A. An unfortunate situation. Its services would be more accepted if it became an independent agency.

*Q. Aren't all the Conciliators union people?*

A. No. Not now. The department has had a healthy housecleaning. Here is the box score on affiliations: 22% of the conciliators have a management background; 34% have a union background; 44% have a professional background with heavy industrial relations experience.

*Q. If I call a Conciliator, can I get his background and be sure he knows something of my industry and problem?*

A. Yes. Pick up the phone and talk personally to the Director of your region. Tell him the kind of man you want.

*Q. Can the Conciliator inspect my plant, go over my books, etc.?*

A. Absolutely not. He cannot make plant inspections—he cannot require you to fill out any forms—he cannot take you to court—he cannot testify in court or in government hearings on any details of a dispute—he cannot make any public statements against the employer or the union. His only power is that of persuasion.

*Q. What if my dispute is of a technical nature—like a disagreement over job classifications?*

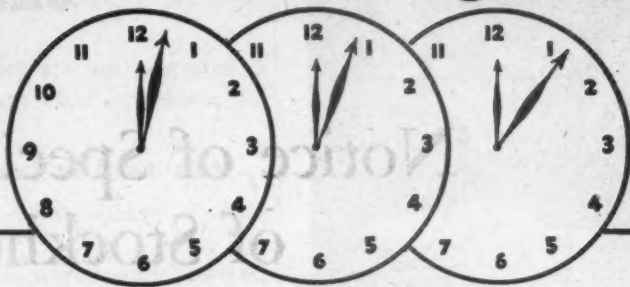
A. In this respect, conciliation does some of its most effective work. The department maintains a technical staff of engineers. If called in, the engineer will make a study of the particular matter in dispute and issue a report—leaving the parties to settle the issue by negotiation or arbitration. The engineers are equipped to do time studies, job analyses, incentive plan studies, merit rating procedures, etc.

*Q. Is there any charge for the services of these technicians?*

A. No.

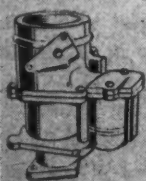


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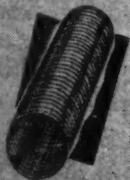
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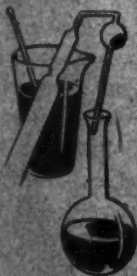
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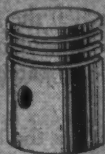
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# Notice of Special Meetings of Stockholders

## SOUTHERN CALIFORNIA EDISON COMPANY LTD.

To the Stockholders of Southern California Edison Company Ltd.

(A) A special meeting of all stockholders of Southern California Edison Company Ltd., has been called by the Board of Directors to be held at the principal office of the Company, Edison Building, 601 West Fifth Street, Los Angeles, California, on Tuesday, May 6, 1947, at 9 o'clock A. M., for the purpose of considering and acting upon the proposal heretofore adopted by the Board of Directors, to amend Articles First, Fourth and Sixth of the Articles of Incorporation to read as set forth in the Company's Proxy Statement dated March 29, 1947.

(B) A special meeting of the holders of the Original Preferred Stock and Common Stock of Southern California Edison Company Ltd., has been called by the Board of Directors to be held at the principal office of the Company, Edison Building, 601 West Fifth Street, Los Angeles, California, on Tuesday, May 6, 1947, at 11 o'clock A. M., for the purpose of considering and acting upon the proposal heretofore adopted by the Board of Directors, to amend Articles First, Fourth and Sixth of the Articles of Incorporation to read as set forth in the Company's Proxy Statement dated March 29, 1947.

The principal purposes of the proposed amendments are: (a) to eliminate "Ltd." from the Company's name; (b) to make the Company's corporate existence perpetual; (c) to authorize two new classes of preferred stock to be designated respectively Cumulative Preferred Stock, comprising 6,000,000 shares of the par value of \$25 each, issuable in series, and Preference Stock, comprising 3,000,000 shares of the same par value, issuable in series, with authorization to the Board of Directors to determine the dividend rate, conversion rights, voting rights, redemption price and/or liquidation preferences of any wholly unissued series of either class of such stocks and to fix the number of shares constituting any unissued series; and (d) to increase the authorized amount of Common Stock from 4,400,000 shares to 8,000,000 shares.

The special meeting of the holders of Original Preferred Stock and Common Stock referred to in paragraph B will consider the proposal to amend the Articles of Incorporation only in the event that the vote of the holders of two-thirds of all the outstanding capital stock should not be obtained for the approval of such proposal at the special meeting of all stockholders referred to in paragraph A above, or at any adjournment thereof. If the required two-thirds vote is obtained at the meeting referred to in paragraph A, no business will be transacted at the second meeting.

The close of business April 21, 1947 is the record date for the determination of the stockholders entitled to notice of and to vote at the respective special meetings referred to above, and at any adjournment or adjournments thereof.

SOUTHERN CALIFORNIA EDISON COMPANY LTD.

O. V. SHOWERS, Secretary

Los Angeles, California  
Dated March 29, 1947.



# Behind the Labor Scene

FORBES DIGESTS ALL LABOR PUBLICATIONS—THEIR CIRCULATION APPROACHES 20,000,000—AND REGULARLY PRESENTS TYPICAL EXTRACTS, WITHOUT COMMENT.

## "PRICES"

From the *Lorain Labor Leader* (CIO):

Prices are rising and continuing to rise on almost all basic products. Last Summer and Fall the National Association of Manufacturers and the Chamber of Commerce, and as a matter of fact almost all business groups, propounded the general notion that as soon as OPA was eliminated a free society and free competition would return and bring with it lower prices. This much heralded bonanza from heaven has not arrived. Prices have not declined. They have, on the contrary, gone up considerably.

OPA was first crippled and then completely abolished but the much talked of price decline did not follow.

As long as some of our most basic industries are controlled by monopoly interests it will be difficult to reduce the present price levels. Under monopoly control there is only one way for prices to move and that is upward. That is exemplified in commodity after commodity, some more completely monopolistic than others.

## "ANTI-LABOR LAWS"

From the *People's Press* (CIO):

The 80th Congress is spending weeks to develop anti-labor laws which can only cause unrest . . . Not so long ago, another congress sought to "prohibit" the sale and use of liquor. The Prohibition law became a farce, ignored by the people, and unenforceable by the Government.

In this country, it just doesn't work to "prohibit" things against the public interest. To prohibit closed shops is not going to force union members to work with non-union men and women. To prohibit jurisdictional strikes will not stop them as long as the causes exist.

Until the causes of industrial unrest are eliminated, there will be strikes, regardless of laws. When workers are

dissatisfied, they are not interested in laws, they want their grievances adjusted.

## "WRONG WAY TO FIGHT REDS"

From *St. Louis Labor Tribune* (AFL):

One can sympathize with Secretary of Labor Lewis E. Schwellenbach's drastic recommendation that the Communist Party be barred from a place on the ballot and that Communists be forbidden to serve as trade union officials, because, as he contends, Communism is fundamentally anti-American since its purpose is, if by no other means, to overthrow our Government by force and violence. However, it is doubtful whether that suggestion is either wise or constitutional.

This publication stands steadfast with President William Green and the AFL in its opposition to Communism both as an ideology and as a political system. . . .

Nevertheless we would not even deny a Communist the right of political expression which is guaranteed to every American under our Constitution.

The labor movement . . . is competent to do its own house-cleaning of Reds and all other kinds of Fascists, and is doing a mighty good job at it that other groups could well imitate. . . . The best way to fight Communism is to mercilessly expose it, to wither it in the open through the spotlight of publicity; not drive it underground to do its termite-like gnawing at our liberties.

## "CUT-RATE JUSTICE"

From *Federation News* (AFL):

Organized labor . . . deplors the bargain-counter justice which the Supreme Court has seen fit to dole out to the miners. The court ruled a cut of the union fine from \$3,500,000 to \$700,000 if the UMW withdraws last year's notice of contract cancellation and refrains from strikes as long as the mines are under government control. That sort of deal, it seems to us, is not in keeping with the dignity of the nation and of the Supreme Court. Nor does it do justice to the bitter struggle for freedom and labor's rights.



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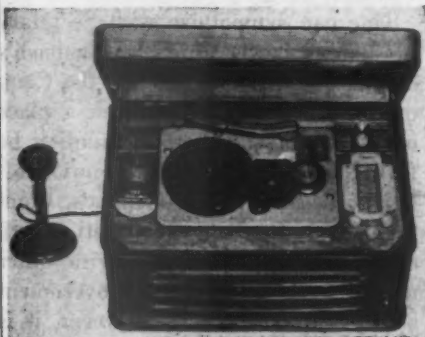
EXECUTIVE—former official large trade organization, seeks connection with company which can appreciate a keen mind with capability in management and service extraordinary. College graduate. Thoroughly experienced in finance, securities, mortgages and real estate. Security analyst for Wall Street houses for 15 years. Will consider New Jersey, Connecticut, Massachusetts or New York State. Box 162, FORBES MAGAZINE, 120 Fifth Ave., New York 11, N. Y.

## NEW IDEAS

## ... in Promotion, Paints, Plastics, Lighting, Entertainment, Maintenance, Reproduction

### 3-IN-1

The low-cost wire recorder, radio and phonograph combination shown below is now being introduced by Sears, Roebuck and Co. in the Chicago area. A table model, it's ideally



suited for building up family albums of children's and adult's voices, for recording from disc records, for the reproduction of radio programs and for recording sales presentations.

### PAINT PROTECTOR

Masking time in car paint preparation is claimed to be cut 50% by Plask, a plastic paint spray protector. Applied with a brush, it dries in less than five minutes, peels off easily in large sheets. Water- and air-proof, it's recommended for glass and all types of unfinished, plated and finished non-porous metal surfaces.

### PLASTIC TILE

Thin, lightweight wall tile, with the strength of metal and the smoothness of velvet, is the latest contribution of Dow Chemical Co. toward more beautiful homes. Made from Styron, these tiles are quickly installed, are easy to keep clean, are said to be non-warping, non-checking. They come in a wide array of pastels, deeper shades and two-color variegations.

### SIGN OF THE TIMES

A newcomer in the luminous sign field is Vion, a practically unbreakable plastic. It requires no feed lines outside of ordinary electric wire, has no installation cost. Illumination is provided by a regular size low wattage fluorescent lamp, processed with a specially treated filter. Although it ab-

sorbs visible light, the filter gives off the near-ultraviolet radiance known as "black light." These invisible rays illuminate the transparent plastic letters of the sign, seemingly without a source of light. Non-inflammable, cool in operation, this sign burns steadily, without flicker or vibration.

### QUICK PRINTER

Engineered to meet the print-making requirements of offices, drafting rooms, schools and colleges, General Aniline & Film Corp.'s Ozalid Streamliner can reproduce drawn, printed, typed and photographic material in 25 seconds. Extremely versatile, this machine can reproduce in black, blue, red, sepia or yellow, on paper, cloth, film or plastic.

### TERMITE CHECK

The battle against wood rot and termites is being reinforced by Interchemical Corp.'s newly-developed Setfast Wood Preservative. Recommended for trellises, fences, hotbeds, cold-frames, porches, steps and outdoor furniture, the product can be applied by brush, spray or dipping. Feature: It can be painted over without bleeding through.

### EMERGENCY LIGHT

The handy gadget shown here not only gives instant light when needed, but also gives the user an "extra hand." Called the Mokelite, produced





by the company of the same name, it's weather-proof, uses power from the auto battery. It comes in three models: cigarette lighter, clamp and jack types. The unit becomes electromagnetized when plugged in, sticks to iron or steel without scratching the surface. Giving as much light as a headlight, it uses a negligible amount of power. Its 12½ feet of flexible cord permit the light to reach any part of the car.

#### SHEAR NOVELTY

Office scissors with replaceable blades are the latest on the cutting front. New blades, which are easily inserted and cost little more than the price for ordinary resharpening, are said to last longer because of the use of tool steel. However, if you insist on sharpening the old pair, there's also a thumb-sized sharpener available.

#### COAT NEWS

Phenoglaize, a plastic film coating for use on all types of wood and metal products, is the latest arrival in the protective coating field. Said to be impervious to heat, moisture and chemical action, it also offers complete protection against termites . . . Another coating product, reported to be able to withstand temperatures in excess of 2,000° F without breakdown, combats corrosion, resists abrasion. Sprayed or brushed on any solid material, it sets in about five minutes. . . . Protection for metal and concrete against mineral acids and solvents at temperatures ranging from 40° to 160°F is offered by Vinaline, a plasticized synthetic coating.

#### LIGHTING PROGRESS

Flashlight equipment, featuring flexible metallic tubing which can be bent at any angle and held in the adjusted position, should prove a boon to maintenance and repair workers. This unconventional bulb assembly affords the user a powerful, shadowless light that can be introduced into hitherto inaccessible areas.

#### WONDER WINDOW

Adequate and draft-free ventilation through the use of adjustable Bishop Venta-Glass windows is adding to household comfort. The trick is done by means of glass louvers, which assure privacy while permitting light and air to enter. A product of the Nu-Air-Wa Co., these special units can be installed in 15 minutes.

APRIL 15, 1947

# The New West



\* From the Report\* of the Senate Committee to Investigate Industrial Centralization we quote:

"When our era of industrialization began . . . industries took root where proximity of resources to centers of population made it most profitable and convenient." The report emphasizes that these *now over-developed* industrial areas can scarcely hope to expand their local markets further. They must either: 1) Encourage industrial development in foreign countries to increase their purchasing power, or 2) develop our own West which produces 50% of the nation's minerals, 49% of the timber, 32% of agricultural raw materials, and occupies 61% of our continental area. "Development of this area," the report continues, "should

mean an enormous new market for American products."

Kansas, with its transcontinental railroads, airlines and highways is the logical gateway between the industrial East and this great *under-developed* Western area. In Kansas you find abundant cheap fuel and power, enormous reserves of basic materials, favorable legislation, excellent living conditions at low cost, and manpower that is intelligent, experienced and thoroughly cooperative. Ask this Commission for further information.

\*This report and the map which accompanies it are well worthy of serious study by every industrialist. Available for 25 cents from Government Printing Office, Washington, D.C.



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*Mary Stachel.*

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## Men of Achievement

(Continued from page 19)

early to bed and early to rise. But he admits to a weakness for lying in bed of a Sunday, reading newspapers and magazines, more rarely a detective story. "I guess I spend about 90% of my Sundays that way," he confesses.

Since he's been living in New York, civic functions do not appeal to him. Even when he lived in Schenectady, he usually turned down appeals to serve on one honorary committee or another. Disliking the role of "front man," the only ones he would serve on were those which involved work on his part, in which he himself was responsible for getting things done.

What might be called a pet peeve of his is the "charitable" organization and its importunate demands. McColl gives short shrift to appeals savoring of the professional approach. He prefers giving to organizations which devote their entire time and money to *doing*, rather than asking. As a thrifty but not penurious Scot, he likes to know that what he gives is being spent—every penny—for the cause for which it was collected. He still chuckles over the following story, told him by one of his friends, though he says it's a canard on the Scots: "A lady soliciting funds for a charity approached a Scotsman and handed him a card inscribed: 'Charity Fair—Give Till It Hurts.' The Scot gazed at it, then, with tears in his eyes, handed it back. 'Lady,' he sobbed, 'the verra idea hurts.'"

"As a Scot I can sympathize with that man's anguish," he says, "but I do think he carried it a little too far."

### PUBLIC RELATIONSWISE

Disproving his reputation in some circles as being a "careful" Scot, McColl has time and again shown his adaptability, his willingness to deal with new situations. For example, when he became top man at American Locomotive, he was long on production experience, short on public relations. But though he was hesitant at first, he soon became a strong backer of a vigorous public relations program. And the company's top-notch public relations crew finds him easy to get along with. As a matter of fact, I was told, "Mr. McColl is as public relationswise as any of us. He even sets the pace for us in many things."

Recently he went all-out on the occasion of the presentation of the 75,000th locomotive made by American Locomotive Co. Nothing would do but that it receive a royal introduction. While it did not occupy a private suite in the Waldorf-Astoria, it did occupy the exclusive private siding right under it, where people stood in line for three days to see the latest edition of a railroad prime mover.

### EYES TOWARD FUTURE

McColl doesn't like to recall the past. He believes in always looking ahead. Typical of the man is the following remark of one of his former associates: "Bob doesn't like to waste much time talking or thinking about the past. I think the only time he does is to review his mistakes. And being a Scot, he naturally turns each one to good account."

When asked about this, McColl replied with typical terseness: "Mistakes? The smart man profits therefrom."

As for the world in which we live and the kaleidoscopic changes we're going through, McColl's viewpoint is still forward looking: "We are going through a period of transition which will bring opportunities as well as problems. For where there are no problems there are no opportunities. It will be a stimulating period, a time for young thinking and young ideas. And I'm looking forward to it."

NEXT ISSUE: Glenn L. Martin, president, Glenn L. Martin Co.

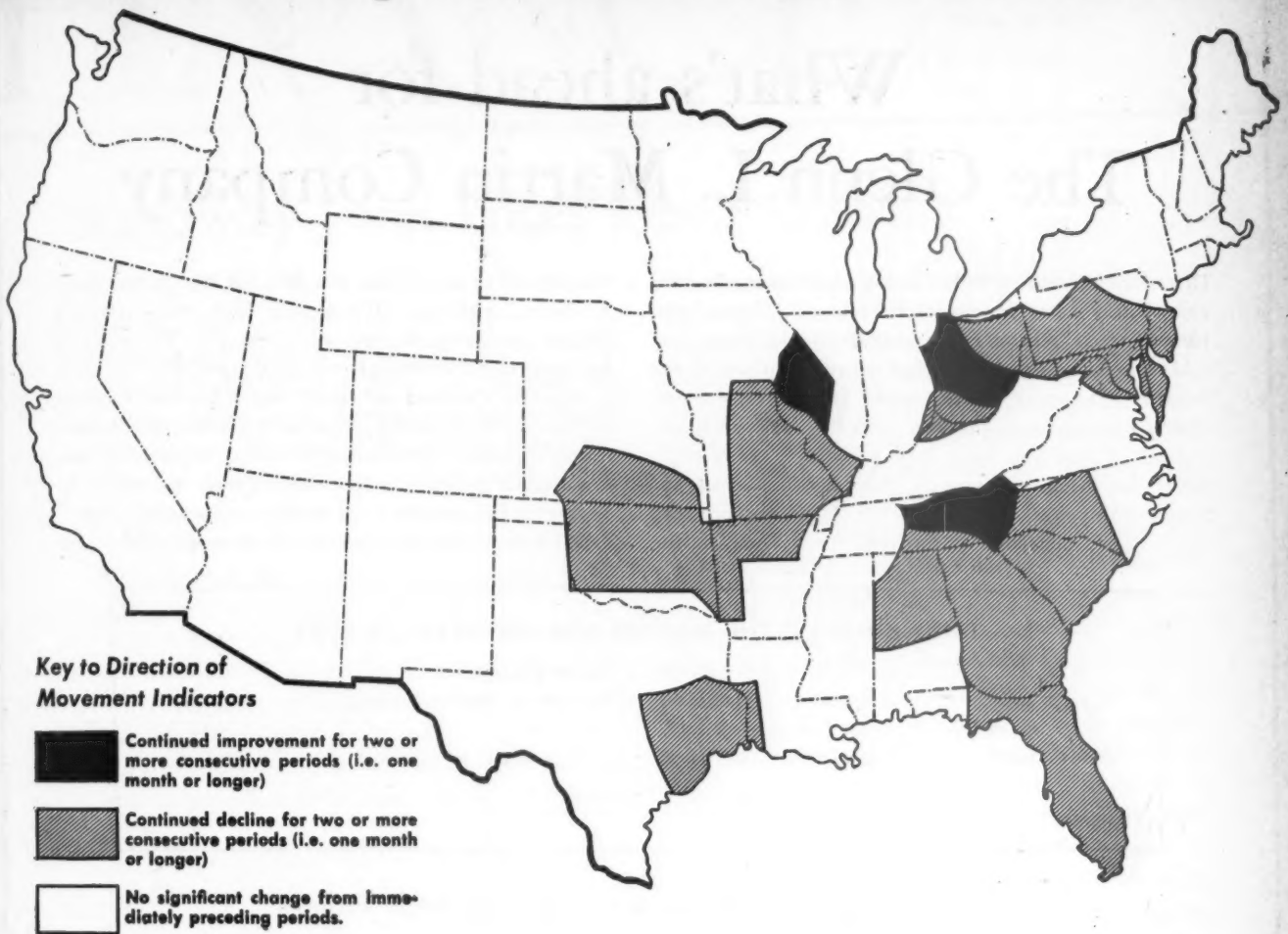


"It's a brand new angle, J. B.—our advertising on every stick of bubble gum!"

FORBES



# Forbes Map of Business Conditions



## How Set Up

Eighty-nine economic areas are represented on the map. These areas have been selected on the basis of economic unity. Consideration was given to trading areas, labor markets, highway and railway systems, which may affect trading regions, and to natural barriers to commerce. Each area thus represents a region in which business conditions are basically dependent upon the same factors, and in which each business is closely affected by developments in other businesses.

For each of the regions a separate index is calculated each period, based on those elements which are important in that region. Obviously, many of the things which make for good business in one area are not significant in another. The indices have been tailored to the region, with each area having a somewhat different basis of measurement.

## Cities Showing Greatest Gain

| 10 Best Cities          | % Increase Over Previous Year |
|-------------------------|-------------------------------|
| Syracuse, N. Y.* . . .  | 23%                           |
| Butte, Mont.* . . . .   | 20%                           |
| Grand Rapids, Mich.*    | 19%                           |
| Spokane, Wash. . . .    | 18%                           |
| Albany, N. Y.* . . . .  | 17%                           |
| Buffalo, N. Y.* . . . . | 17%                           |
| Phoenix, Ariz. . . . .  | 17%                           |
| Salt Lake City, U. . .  | 17%                           |
| Fort Wayne, Ind.* . .   | 17%                           |
| Boise, Idaho . . . . .  | 17%                           |

\* Also listed last period.

## Highlights

OUR current map reveals that there has been a little more leveling off this period. However, no general recovery of levels prior to the recent declines is apparent. Three areas have moved up, 23 down.

We appear to be back to the side-wise movement of a few weeks ago. Two broad areas in the East are moving down, though the decline is now rather slow. Both these areas show signs that they may soon level off.

The percentage of increase over a

year ago is somewhat smaller. For example, Syracuse—26 last time—is now 23. This probably reflects a smaller rise in Easter buying this year.

This is a particularly confused and confusing period—the nation seems to be moving toward no definite trend. The existence of plus and minus areas side by side is a symptom of the instability of the present situation. Nevertheless, the country is still proceeding at a high rate; but, at best, it is just maintaining that rate.

# What's ahead for The Glenn L. Martin Company

Diversification, with excellent balance between commercial and military orders, highlights The Glenn L. Martin Company's financial picture. In the commercial field, Martin has sold more postwar transports than any other aircraft manufacturer. Leading airlines the world over have purchased Martin passenger or cargo planes with other sales to be announced. Martin also holds large production and research orders from the military services. Other Martin products are shown on this page, as are some of the Martin developments licensed for manufacture on a royalty basis. Total Martin

backlog at the end of 1946 was \$193,853,286. In the words of Glenn L. Martin, "If you look back over aviation's history, even during the lean years of the early '30's, you will find that aviation has been just about the only major industry to maintain a marked and steady rate of growth whatever the conditions prevailing. Aviation has sufficiently demonstrated its value to civilization, its ability to introduce vast new areas of the earth to international trade and travel, to deserve the full confidence and optimistic effort of all of us." THE GLENN L. MARTIN COMPANY, BALTIMORE 3, MARYLAND

## HIGHLIGHTS OF THE MARTIN 1946 FINANCIAL PICTURE

|                                      |              |                                  |              |
|--------------------------------------|--------------|----------------------------------|--------------|
| Net Sales .....                      | \$37,640,958 | Income Credits Net .....         | \$ 2,406,202 |
| Cost of Sales .....                  | 34,853,051   | Net Income after all charges and |              |
| Operating Income .....               | 2,787,907    | reserves .....                   | 3,363,013    |
| Federal and State Income Taxes ..... | 1,831,096    | Backlog, December 31, 1946 ..... | 193,853,286  |

Four quarterly dividends paid in 1946.  
First 1947 quarterly dividend paid March 17, 1947.

## Widely Diversified Martin Interests Hold High Promise



**NOW FLYING**, the Martin 2-0-2 will soon enter service on airlines the world over. Meanwhile, first Martin 3-0-3's are nearing completion.



**LARGE CONTRACTS** have been awarded Martin for research on guided missiles, electronics, new forms of propulsion, other projects. Martin holds 223 patents.



**NEW MILITARY CRAFT:** For the Navy, Martin is building the XP4M-1 long-range patrol plane (shown above) . . . the JRM Mars transports . . . the XPBM-5A, world's largest amphibian . . . the AM-1 Mauler dive-torpedo bomber. For the Army Air Forces, Martin is building the XB-48 six-jet bomber. For both services, Martin builds aerial gun turrets.



**RUGGED LIGHTWEIGHT**, Martin Honeycomb construction material combines great strength with lightness. Licensed to U. S. Plywood.



**MARTIN GROUND EQUIPMENT** for handling, servicing and loading transports is in use by many leading airlines. Licensed for manufacture to Aircraft Mechanics, Inc.



**MARTIN PLASTICS:** A \$3,000,000 plant soon will begin production of Marvinox, versatile new plastic raw material.



**STRATOVISION** . . . the re-broadcasting of television and FM programs from planes . . . eliminates need for costly coaxial cables or relay stations. Developed jointly by Martin and Westinghouse.



**HELICOPTER RESEARCH:** Martin recently announced purchase of Rotawings, Inc., and established a division for advanced research in rotary wing aircraft.



**FLEXIBLE FUEL TANKS** reduce maintenance and increase dependability of aircraft. Mareng cells are made under license by U. S. Rubber Co. Martin also developed first U. S. self-sealing fuel tanks for warplanes.

### TRAVEL OR SHIP BY MARTIN TRANSPORT ON THESE GREAT AIRLINES

CAPITAL (PCA) • EASTERN • CHICAGO & SOUTHERN  
BRANIFF INTERNATIONAL • UNITED  
NORTHWEST • DELTA • PANAGRA  
CRUZEIRO do SUL (BRAZIL) • AEROPOSTA (ARGENTINA)  
NACIONAL (CHILE) • MUTUAL • FLYING TIGER  
AIR BORNE CARGO • U. S. • WILLIS

# Martin

## AIRCRAFT

Builders of Dependable Aircraft Since 1909



### AN INTERNATIONAL INSTITUTION

• **MANUFACTURERS OF:** Advanced military aircraft • Aerial gun turrets • Outstanding commercial planes for both passenger and cargo service • Marvinox resins (Martin Plastics and Chemicals Division) **DEVELOPERS OF:** Rotary wing aircraft (Martin Rotawings Division) • Mareng fuel tanks (licensed to U. S. Rubber Co.) • Honeycomb construction material (licensed to U. S. Plywood Corp.) • Stratovision aerial broadcasting (in conjunction with Westinghouse Electric Corp.) • Aircraft ground-handling equipment (licensed to Aircraft Mechanics, Inc.) **LEADERS IN RESEARCH** to guard the peace and build better living in many far-reaching fields



# FINANCE

- B. C. FORBES
- Joseph D. Goodman
- Harry D. Comer
- Joseph Mindell
- E. A. Krauss

## Runaway Food Prices Need Curbing

"Produce more and sell for less! To this we dedicate ourselves from this moment on. If not we will price ourselves out of the market both at home and abroad. And how we will need this foreign market when demand at home begins to slow down. We must give our customers firm prices at once, and lower prices as quickly as possible. . . .

"We now give fair warning to every supplier. We will resist to our utmost any attempt to further raise our buying prices."

That letter has been sent by a Mid-Western manufacturing company to all its suppliers.

The importance of keeping prices down is becoming increasingly recognized.

*Fundamentally, price reductions are incalculably more wholesome than further boosting of wages.*

The Government, having inherited unsound New Deal policies, is taking an anomalous position. It is adjuring industry to lower prices but, by its subsidy largesse, has contributed to the skyrocketing of food prices to, in certain basic commodities, the highest levels in a generation. Administration politicians palpably figure that they can gain more, votewise, by catering to our farm population than by adopting the attitude they are exercising towards industry.

The fact is, of course, that food now constitutes the very highest item in the average family's budget. Hence, the essentiality of bringing about lower commodity prices if inflation is to be curbed.

The National Industrial Conference Board records:

"The consumers' retail bill for 1946 totaled \$96,700,000,000, of which \$77,700,000,000 was paid out at nondurable goods stores and \$19,000,000,000 at durable goods stores. This was the largest sales volume in history."

This emphasizes how vital it is to check the mild boom in food prices.

How "free" is American industry? It is regulated, curbed restricted at every turn. How far this is true is brought out most vividly by this extract from an editorial in the New York Times:

"Through the Federal Reserve System the Government of the United States was regulating the conditions of private credit in this country long before the British Labor party thought of nationalizing the Bank of England. Through the Interstate Commerce Commission the Government has been regulating railway rates and railway competition for the past sixty years.

"The Government regulates the buying and selling of goods through the Federal Trade Commission. It regulates price competition, business mergers, corporation reports, commercial acquisition and consolidations through the same office. It regulates the stock exchanges through the Securities and Exchange Commission. It regulates the public utilities through innumerable federal, state and local agencies. It regulates the radio industry through the Federal Communications Commission.

"It regulates the food and drug industry under legislation which is a generation old. It regulates banks. It regulates shipping. It regulates aviation. It regulates the conditions of collective bargaining. It regulates wages and hours of work under a Fair Labor Standards Act. It subjects corporate and private earnings to taxation at least as heavy as that which prevails in England, and distributes the proceeds of this taxation to projects devised for the public welfare."

American labor unions are fighting tooth and nail against being brought under any such regulations as apply to business organizations. They regard themselves as a specially-privileged class—have been encouraged to do so for a dozen years by New Dealers. But such rank discrimination does not belong in a land which proudly boasts of offering "equal opportunity for all." Establishment of that should be the guiding principle of our legislators.

P. S.—I still cannot see that severe depression is inescapable this year. Nor do I regard good equity stocks as overpriced.



## WALL STREET

"Not colored  
or wax polished"

"We are sending, express, today, a basket of oranges, as a small token of our appreciation for your work and advice, on the custodian account of Mrs. Hodges and her mother.

"We just picked them off the trees in the yard and hope they reach you in good condition, and you will find them eatable. They are not colored or wax polished; just as the boy picked them off the tree.

"We are truly delighted with the results of the acc't and believe your firm in this line is doing an exceptionally needed service. So many people work hard to save and put away a bit of funds for a rainy day, and find at the end, they have little knowledge of investing it."

Well pleased was Merrill Lynch's large Research Department with the letter from investor A. W. Hodges of Eustis, Florida. It was happily phrased and typical of expressions of gratitude from the many individuals who request and receive investment assistance from this outstanding stock exchange firm (12,863 requests to the Research Department in 1946).

No doubt about it, M L's oft-reiterated "Investigate *then* Invest" was bearing fruit. A one sentence letter from a retired businessman requested advice in investing \$350,000—the entire proceeds from the sale of his business. Three West Virginia miners pooled capital—\$150—wanted to know what to buy. They were advised to buy U. S. Savings Bonds.

**Facts—Then More Facts:** Delivering facts "not colored or wax polished" to investors is the day-in-day-out business of the Research Department. When it comes to assessing securities there is no room for guesswork. Furthermore, once securities are purchased, they must be constantly re-evaluated in the light of changing conditions.

To this end, the Research Department prepares periodic studies on current securities and industries and also issues from time to time studies of various factors which investors must understand in order to achieve an over-all perspective of the task of investing.

**Now Ready:** "How to Read a Financial Report," a study delving into the whys and wherefores of an income and balance sheet, giving an ABC explanation of the terms used by accountants—sometimes not so well understood by those who must interpret them for their own use.\* This kind of service to investors has made sense in 1946 to 192,000 customers and can make sense to others who want to give it a try.

\*Address request for your copy of "How to Read A Financial Report" to: Department T-4, Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

## STOCK TRADING

Guide Posts  
To Wall St.

## How To Detect Major Market Bottoms (Continued)

By JOSEPH MINDELL

**H**AVING observed the Technical indications of a Bottom, we then examine other areas for confirmatory signs. Again, not all of them are always present, and the specific constellations are ever varying. But these are the strategically important items to check:

## FINANCIAL INDICATIONS

(A) A general deflation of credit has been going on. This is observable in Interest Rates, Commercial Paper Rates, Volume of Installment Credit, etc. Bank loans have been decreasing.

(B) Deflation of margin accounts. Individual Debits decrease because investors have been forced to sell, and have developed a defensive psychology about their portfolios as a result of the protracted decline.

(C) *The Real Estate market is full of distress property. Real Estate is frequently carried on very slender margins, and is therefore sensitive to credit strain.*

(D) New security offerings decrease, and bonds assume a relatively greater prominence in such offerings as are made.

(E) Corporations cut and pass dividends.

(F) The average yield on common stocks exceeds the yield on high-grade bonds by a fair margin. Stocks are low on a prospective or average yield basis.

(G) The relation between average business profits and the average rate of borrowing money becomes favorable.

(H) *Large aggregates of investment money are held idle on the sidelines.*

JOSEPH MINDELL, industry analyst and stock market technician, is economist for a leading Stock Exchange firm

## BUSINESS INDICATIONS

(A) Business activity is low. Industrial Production and Retail Trade have been dropping for some time. They are approaching a point of stabilization at a level well below normal. Since 1900 the Stock Market has never made its Bear Market lows until 75% or so of the business decline was completed.

(B) Deflation of Commodities—if this may be pricewise or quantitative or both. If stocks of raw materials are burdensome, they must be worked off and prices dropped to levels at which they start moving more freely.

(C) Liquidation of Inventories—if inventories are burdensome they must be worked off and prices dropped to levels at which they start to move more freely.

(D) Costs have been brought down.

(E) *The efficiency of labor and management improves.*

(F) Collections are slow and difficult.

(G) Lenders scrutinize credits carefully and adopt a conservative policy.

(H) Failures and Receiverships have been increasing.

(I) Price Dispersion diminishes.

(J) The deferred consumption caused by caution or fear is piling up a backlog of demand.

## NEWS CHARACTERISTICS

(A) The News is chiefly unfavorable and psychology is pessimistic.

(B) Production in major industries is well below normal, and this is featured in the press.

(C) Retail Trade, especially in the luxury lines, suffers from curtailed buying, and this is given prominence by newspapers.

(D) There are alarming rumors of



impending failures, dire events, etc.

(E) Unemployment figures are given wide publicity.

(F) Financial hopes are at a low ebb.

(G) The Services, Brokerage Letters, Corporation statements, having been optimistic during most of the decline, are now abandoning hope, or at least advising the deferment of purchases until some lower level and later time.

In summary, the most dependable clues of an impending Major Market Bottom usually appear in Technical measurements. A characteristically pessimistic News background exists.

Under these circumstances, certain constellations of strategic Financial and Business factors and measurements can confirm the ending of the Bear Market.

Thus we are assured of the conditions most favorable for inaugurating buying programs for participation in the next Bull Market.

## On the Bookshelf

THE METROPOLITAN LIFE, by Marquis James. The Viking Press, N. Y.—\$5. Directly affecting the lives of one out of every five Americans and Canadians, The Metropolitan Life Insurance Co. is the biggest business in the world. The savings and family security of some 45,000,000 policyholders are bound up in this company, whose \$7,500,000,000 investments influence the nation's economic course. This great wealth, the largest accumulation of private capital in the world, is held in trust for persons of modest means—there are no stockholders.

The author, a Pulitzer Prize winner, tells the fascinating story of the Metropolitan's growth, of its transformation from a struggling private enterprise to a semi-public institution. Starting from its hesitant beginnings in the Civil War period, he shows how the company won its leadership by developing the difficult field of industrial insurance, goes into the history and background of the various types of life insurance.

His chapters dealing with health and housing achievements are of great social significance. Of prime importance in the growth of this insurance giant is the fact that it has always taken an interest in the welfare of its policyholders—not because it was good business, but because men of genuine social

feeling were prominent in the management.

Its activities in the social field, through health and welfare programs, medical research, housing, education, etc., have been on a colossal scale. For instance, its warfare against ignorance and disease reached the point where it has taken over the tuberculosis problem of an entire city and has shown how it could be fought successfully. It has gone into a mining town and cut

the rate of infant mortality by two-thirds. In the field of low-cost housing, under the farsighted leadership of Chairman Frederick H. Ecker and President Leroy A. Lincoln, it has accomplished far more than any other private agency.

This book is much more than a mere business record: it's an outstanding social history, and a tribute to the men who have made the Metropolitan the epitome of an American ideal.

# 51<sup>ST</sup> ANNUAL REPORT

## SOUTHERN CALIFORNIA EDISON COMPANY LTD.

(AND SUBSIDIARY COMPANY)

### Year 1946

Consolidated Income Account and Summary of Earned Surplus Account  
for the Year Ended December 31, 1946

#### Consolidated Income Account

|   |               |
|---|---------------|
| Gross Earnings .....                          | \$ 74,599,144 |
| Operating Expenses and Taxes .....            |               |
| Operation and Maintenance .....               | \$ 21,551,865 |
| Taxes—State, Local and Miscellaneous .....    | 8,115,787     |
| Provision for Federal Taxes on Income .....   | 9,127,500     |
| Provision for Depreciation .....              | 8,660,428     |
| Frequency Change Expense .....                | 11,000,000    |
| Amortization of Acquisition Adjustments ..... | 261,805       |
| Gross Income .....                            | \$ 15,881,759 |
| Interest and Other Deductions .....           | 4,686,524     |
| Net Income .....                              | \$ 11,195,235 |

#### Summary of Consolidated Earned Surplus

|  |               |
|--|---------------|
| Balance, January 1, 1946 .....   | \$ 12,351,966 |
| Add: Net Income for the year ended December 31, 1946 .....                       | 11,195,235    |
| Reversal of provision for prior years' taxes based on income, not required ..... | 1,850,000     |
|  | \$ 25,397,201 |
| Deduct:  |               |
| Dividends .....  | \$ 9,798,545  |
| Miscellaneous charges (net) .....  | 4,205         |
| Balance, December 31, 1946 .....   | \$ 15,594,451 |

#### Consolidated Balance Sheet, December 31, 1946

| Assets   |               |
|--|---------------|
| Plant, Property, Rights, Franchises, etc. (Stated Substantially at Cost) .....   | \$385,948,400 |
| Cost of Electric Plant Requisitioned by United States Government, (amount of settlement not determined), less partial payments received of \$900,000 .....   | 1,705,134     |
| Miscellaneous Investments and other Assets .....   | 8,014,522     |
| Debt Discount, Redemption Premium and Expense on Refunded Issues (\$9,131,928), being amortized over period ending December 31, 1959, less net premiums received on outstanding issues (\$2,377,448) being amortized over lives of such issues ..... | 6,754,480     |
| Capital Stock Selling Expense on Original Issues .....   | 3,363,946     |
| Deferred Charges .....   | 1,241,076     |
| Current Assets:  |               |
| Cash in Banks and on hand, and Working Funds .....   | \$ 3,703,397  |
| United States Government obligations, at cost .....  | 20,100,186    |
| Accounts and Notes Receivable, less Reserve for Uncollectible Receivables (\$753,673) .....  | 5,817,826     |
| Materials and Supplies, at cost .....  | 7,541,383     |
| Prepaid Taxes, Insurance and other expenses .....  | 3,397,365     |
|  | \$447,587,715 |
| Liabilities  |               |
| Stated Capital:  |               |
| Capital Stock (Par Value \$25 per share):  |               |
| Preferred—3,466,857 shares .....   | \$ 85,441,811 |
| Common—3,182,805 shares .....  | 70,743,697    |
|  | \$156,185,508 |
| Long Term Debt .....   | 138,000,000   |
| Current Liabilities:   |               |
| Accounts and Dividends Payable .....   | \$ 11,122,379 |
| Taxes Accrued (subject to final determination) .....   | 15,091,662    |
| Interest Accrued .....   | 1,405,000     |
|  | 27,619,041    |
| Reserves .....   | 108,699,130   |
| Contributions in Aid of Construction .....   | 1,489,585     |
| Earned Surplus .....   | 15,594,451    |
|  | \$447,587,715 |

[ THE ABOVE STATEMENTS ARE CONDENSED  
FROM THE PUBLISHED ANNUAL REPORT ]

# Investment Company Common Stocks

By E. A. KRAUSS

TWO axioms underlie the theory of investment companies. One is that a group of investment experts with extensive research facilities, proper technique of management and superior sources of information is able to handle a fund of money better than most individuals. The other is that it is easier to preserve a large fund properly diversified than a small one with a necessarily unbalanced assortment of securities.

A great industry has been built on this theory. Its size today amply illustrates how extensively the investing public has availed itself of the advantages offered by investment companies. The 142 management investment firms registered with the SEC had security holdings, at the end of 1946, with an aggregate market value of over \$2.5 billion. Of the companies covered, 80 were of the closed-end type and 62 were open-end companies.

## CLOSED-END FIRMS OLDEST

*Closed-end* investment companies (the oldest group) are management companies with more or less fixed capitalizations. Their outstanding securities are listed on stock exchanges or traded over the counter, just like ordinary corporate securities. *Open-end* companies have no fixed capitalizations. The number of their shares outstanding may change from day to day, and the shares are redeemable at asset value at any time, on demand. Such shares are actively marketed by investment dealers and priced at asset value plus a premium (loading charge) that may range from 5% to 9%. Sales of such shares have been large, especially in periods of ascending stock prices.

In this article I shall deal primarily with the common stocks of *closed-end* investment companies. Since most of their stocks sell at a discount from net

asset value, at least wide enough to allow for operating expenses, the investor acquires expert management and supervision at no additional cost. Another important factor is the degree of leverage, governing the extent of speculativeness of the stock.

Non-leverage shares (only common stock outstanding) offer diversification and skilled management; the respective companies usually hold broad lists of corporate common stocks. Leverage shares, being junior issues, fluctuate more sharply and, while they also provide diversification, are thus suited

case of medium and high leverage shares, income and dividends—while desirable—are rather less important than enhancement prospects.

The discounts from net asset values, at which most stocks of closed-end investment companies are selling, vary with the degree of leverage and the trend of the market, becoming smaller in bull markets and widening in declining markets. The wider discounts prevailing today are virtually in line with those of the early stages of the last bull market. Representative stocks thus now appear reasonably priced and constitute good vehicles for participation in any future market upswing.

The accompanying table offers statistical data pertaining to the common stocks of a number of closed-end investment companies with varying degrees of leverage. Among the stocks listed the writer likes best *Adams Express*, *American International*, *Tri-Continental* and *Capital Administration "A"*, all leverage issues and sell-

Closed-End Investment Companies

|                           | Recent Price | Net Asset Value as of 12/31/46 per sh. | Discount from Net Asset Value | 1946 Dividend per sh. | 1946 Net Invest. Income per sh.* | Degree of Leverage |
|---------------------------|--------------|--|-------------------------------|-----------------------|----------------------------------|--------------------|
| Adams Express.....        | 16½          | \$27.38                                | 40%                           | \$0.80                | \$0.81                           | Conservative       |
| Am. General Corp.....     | 2½           | 3.75                                   | 30%                           | 0.53% <sup>1</sup>    | 0.13                             | Medium             |
| Am. Internatl. Corp....   | 11½          | 18.83                                  | 40%                           | 0.55                  | 0.60                             | Conservative       |
| Atlas Corp.....           | 23½          | 36.06                                  | 35%                           | 1.00                  | 0.71                             | None               |
| Blue Ridge Corp.....      | 3½           | 4.49                                   | 22%                           | 0.43                  | 0.13                             | High               |
| Capital Administr. "A".   | 13           | 25.10                                  | 48%                           | 0.55                  | 0.53                             | Medium             |
| Carriers & General....    | 6½           | 11.40                                  | 42%                           | 0.65                  | 0.38                             | Conservative       |
| Chicago Corp.....         | 9            | 5.86                                   | 54% <sup>2</sup>              | 0.25                  | 0.61                             | High               |
| General Am. Investors.    | 14½          | 18.90                                  | 25%                           | 1.48                  | 0.64                             | Conservative       |
| Lehman Corp.....          | 45½          | 52.39                                  | 13%                           | 6.35                  | 0.94 <sup>3</sup>                | None               |
| Natl. Bond & Share....    | 24           | 28.68                                  | 16%                           | 3.37                  | 1.07                             | None               |
| Tri-Continental Corp...   | 7½           | 10.86                                  | 35%                           | 0.30                  | 0.30                             | Medium             |
| U.S. & Foreign Sec. Corp. | 19½          | 35.83                                  | 45%                           | 1.30                  | 0.32                             | High               |

(\*) Before profit or loss on sale of securities. (1) Adj. for stock split. (2) Premium. (3) Six mos. ended December 1946.

for varying purposes. High leverage is especially of interest to investors desiring to speculate on an anticipated rise of the market. Such shares move faster, sometimes two to four times as fast as the market averages, but this of course goes both ways. Leverage stocks therefore are often good vehicles for speculation on the market trend, though risks are naturally commensurate with appreciation potentials, and *timing of commitments is particularly important*. Conservative leverage issues, however, do not differ greatly from non-leverage issues and may be acquired for the same purpose. In the

ing at sizable discounts from net asset values. Despite their smaller discounts, *Lehman Corp.* and *National Bond & Share* have appeal because of their quality. *Atlas Corp.* has a good record of successful investments in "special situations." Among high-leverage issues, and though selling—exceptionally—at a substantial premium, *Chicago Corp.* has speculative merit. Apart from its security holdings, this company also owns oil and gas properties, and the relatively high price of the stock reflects the properties' actual over the carrying value, and their favorable earnings prospects.

E. A. KRAUSS, one of FORBES' regular Financial Editors, is a well-known economist and market analyst.



# ANNOUNCEMENT!

During the past several years we have received numerous requests from our Clients for Price-Movement Velocity Information pertaining to the Action of Individual Stocks.

*We take Pleasure in announcing to our Clients and Friends that we are now making this type of Information available in conjunction with our Regular Trend Analysis Reports*

## When Is the Information Available?

Each week, the TEN stocks of outstanding performance in following classifications are reported to our clients:

(1) TEN STRONG STOCKS

(3) TEN WEAK STOCKS

(2) TEN STOCKS SHOWING STRENGTH

(4) TEN STOCKS SHOWING WEAKNESS

## On What Stocks Is This Information Available?

The market moves in trends. Individual stocks gain or decline more or less in sympathy with the general trend of the market. The experienced investor knows this, and that if trend of market is UP he can reasonably expect recognized market leaders like U. S. Steel, General Motors, American Telephone, etc., to move with the trend. For this reason he is usually not so much interested in "which" of these stocks he should buy or sell as in "when" to buy or sell stocks of this class.

To help in determining normally advantageous trend buying and selling areas has been, for many years, the purpose of our "MARKET TREND ANALYSIS REPORT". However, it has long been known that unusual profit possibilities are sometimes present in lower-priced or often lesser-known stocks.

Because of time required, it is difficult for the in-

dividual to continuously scan and analyze action of the majority of stocks comprising this lower priced group. Also, due to unsound methods of analysis, results are often unreliable. This new Report provides our clients with summarized scientific information regarding action in this group.

To prepare it, a comparative Price-Movement Velocity Analysis is tabulated each day on the majority of stocks principally under \$30 and above \$10. The stocks used have a more or less consistent record of daily trading activity, good record of trend-participation performance, and many have long dividend records. This special analysis is not based on any type of chart action but computed mathematically on a relative velocity comparison basis with other issues in order to determine comparative strength or weakness being registered in each stock.

## The Procedure Has Been Thoroughly Tested!

About ten years ago, L. M. LOWRY, the originator of the Buying Power vs. Selling Pressure indices and method of Round-Lot Price-Movement Tabulations (published in our regular Trend Analysis Reports since their inception), began a series of mathematical Price-Movement Velocity experiments and research pertaining to the action of individual stocks. The results were carefully observed and have now been tested in a wide variety of markets experienced in the past ten years.

### WHAT WERE THE RESULTS?

The objective was to determine whether or not individual stocks showed evidence of being accumulated, or distributed, BEFORE, or in the early stages of new swings up or down.

The experienced investor knows there are no perfect predictions of market behavior, and here perfection was not obtained but results were gratifying. After years of research testing, and observation it became increasingly evident this particular method for evaluating the current strength or weakness in various stocks provided a most interesting and satisfactory result.

We believe procedure used and method employed for rating individual stocks are strictly original with us and not being used by any other service.

### Our Work Interests Men Who Know Something About the Market

We have many times stated our Trend Analysis Reports do not provide the perfect answer to the market. Any thinking man knows there is no such answer but, our work has stood the test of time and many different types of markets experienced during the uncertain periods of recent years.

### OUR CURRENT RELEASES ARE AVAILABLE FOR YOUR EXAMINATION.

You may find our work constructive and helpful and we invite your examination of this unusual Investment Service. Upon your request we will be pleased to furnish you our latest release covering our analysis of the current undertone condition of the market together with our new Report on Individual Stocks (discussed above) as well as other explanatory information.

Send Coupon for Report F-1

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**POWER - PRESSURE**  
*The forces controlling trends!*

WHEN to buy or sell is of fundamental importance for profitable operation of any investment program and has long been recognized by most experienced investors as the No. 1 problem. To help recognize and determine the usually profitable trend buying or selling areas, we have for many years published our well-known indices of Buying Power vs. Selling Pressure and the method of Round-Lot Price-Movement Tabulations originated in the 'Thirties by L. M. LOWRY.

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*for*  
**SPARKLING QUALITY**



**CANADA DRY**  
**WATER AND GINGER ALE**

## ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1 3/4%, amounting to \$1.75 per share, on account of the current quarterly dividend period ending April 30, 1947, has been declared payable April 15, 1947 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on April 3, 1947.

A dividend of 40¢ per share has been declared payable April 15, 1947, on the outstanding common stock of the Company, of the par value of \$1.00 per share, to holders of common stock of record at the close of business on April 3, 1947.

March 26,  
1947

H. A. WAY

Secretary

**ROYAL**

## PACIFIC GAS AND ELECTRIC CO.

### DIVIDEND NOTICE

#### Common Stock Dividend No. 125

A cash dividend declared by the Board of Directors on March 12, 1947, for the first quarter of the year 1947, equal to 2% of its par value, will be paid upon the Common Capital Stock of this Company by check on April 15, 1947, to shareholders of record at the close of business on March 28, 1947. The transfer Books will not be closed.

E. J. BECKETT, Treasurer

San Francisco, California

## LEE RUBBER & TIRE CORPORATION

FACTORIES  
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DIVISIONS



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Youngstown, Ohio  
INDUSTRIAL RUBBER PRODUCTS

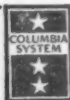


LEE TIRE & RUBBER COMPANY  
OF NEW YORK, INC.  
Conshohocken, Pa.  
LEE DELUXE TIRES AND TUBES

The Board of Directors has this day declared the regular quarterly dividend of 50¢ per share on the outstanding capital stock of the Corporation, payable May 1, 1947, to stockholders of record at the close of business April 15, 1947. Books will not be closed.

March 27, 1947

A. S. POUCHOT  
Treasurer



## COLUMBIA GAS & ELECTRIC CORPORATION

The Board of Directors has declared this day the following quarterly dividend:

Common Stock  
No. 48, 15¢ per share

payable on May 15, 1947, to holders of record at close of business April 19, 1947.

April 3, 1947

DALE PARKER  
Secretary

## BUSINESS INFORMATION

### What's Your Problem?

Every issue, FORBES will help subscribers find a solution to their business problems. Simply address your query to Business Information Editor, FORBES Magazine, 120 Fifth Avenue, New York 11, N. Y. To facilitate replies, please confine each inquiry to one specific question, and enclose stamped, self-addressed envelope. Questions not answered here will be answered by mail.

Q.—In the March 15 "New Ideas" there is an item concerning a new "Sound-on-Wire" device for general business use. May I have the name of the manufacturer?—J. M. DANIEL, sales manager, Stearns Coal and Lumber Co., Stearns, Ky.

A.—Standard Business Machines Co., 542 S. Dearborn St., Chicago, Ill.

Q.—What magazines or trade journals would contain information as to aircraft manufacturing, especially in regard to new planes, sales of manufacturers, etc?—JOHN B. LAMAR, Chicago, Ill.

A.—Aviation News, 330 West 42d St., New York, N. Y.; Aero Digest, 515 Madison Ave., New York, N. Y.; American Aviation, 1317 F St., N. W., Washington, D. C.

Q.—Will you please inform me from what company may I buy a mark-up calculator based on dealer's costs and profits?—JUSTO GONZALEZ DEL POZO, Havana, Cuba.

A.—Such calculators may be obtained from Remington Rand, Inc., 4th Ave. & 23d St., New York, N. Y.; Burroughs Adding Machine Co., 6071 2nd Ave., Detroit, Mich.; Friden Calculating Machine Co., 2350 Washington, San Leandro, Calif.; American Machine Export Co., 251 W. 57th St., New York, N. Y.

Q.—I am interested in obtaining the distributorships for some item or items. Where may I contact manufacturers?—H. R. SULIVAN, San Francisco, Calif.

A.—You can contact manufacturers seeking distributors through the "Business Opportunities" sections of large city newspapers; by writing direct to the companies whose products you wish to handle; through trade journals covering various industries. You will find a complete list of U. S. manufacturers in Thomas' Register of American Manufacturers, a reference book available in most public libraries.

Q.—In your March 15 issue you had a short article entitled "Sticker Tape." We are interested in this product and wonder if you could tell us how to contact the company that makes it?—A. C. DENISON, president, Fulton Foundry & Machine Co., Cleveland, Ohio.

A.—Topflight Tool Co., York, Pa.



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## Condensed Statement of Condition as of March 31, 1947

Including Domestic and Foreign Branches But Not Including The Affiliated City Bank Farmers Trust Company

(In Dollars Only—Cents Omitted)

### ASSETS

|  |                        |
|--|------------------------|
| Cash and Due from Banks and Bankers.....                               | \$1,255,170,219        |
| United States Government Obligations (Direct or Fully Guaranteed)..... | 2,127,347,620          |
| Obligations of Other Federal Agencies.....                             | 28,904,830             |
| State and Municipal Securities.....                                    | 199,859,550            |
| Other Securities.....  | 101,058,083            |
| Loans, Discounts, and Bankers' Acceptances...                          | 1,093,559,848          |
| Real Estate Loans and Securities.....                                  | 3,137,041              |
| Customers' Liability for Acceptances.....                              | 17,538,998             |
| Stock in Federal Reserve Bank.....                                     | 6,900,000              |
| Ownership of International Banking Corporation.....                    | 7,000,000              |
| Bank Premises.....   | 29,094,212             |
| Other Assets.....  | 4,167,290              |
| <b>Total.....</b>  | <b>\$4,873,737,691</b> |

### LIABILITIES

|  |                        |
|--|------------------------|
| Deposits.....  | \$4,544,599,922        |
| (Includes United States War Loan Deposit \$79,954,394) |                        |
| Liability on Acceptances and Bills..                   | \$26,794,848           |
| Less: Own Acceptances in Portfolio.....                | 6,081,529              |
|  | 20,713,319             |
| Items in Transit with Branches.....                    | 3,303,569              |
| Reserves for:  |                        |
| Unearned Discount and Other Unearned Income.....       | 4,438,100              |
| Interest, Taxes, Other Accrued Expenses, etc.          | 34,434,023             |
| Dividend.....  | 2,325,000              |
| Capital.....   | \$77,500,000           |
| Surplus.....   | 152,500,000            |
| Undivided Profits.....                                 | 33,923,758             |
| 263,923,758  |                        |
| <b>Total.....</b>                                      | <b>\$4,873,737,691</b> |

Figures of Foreign Branches are included as of March 25, 1947, except those of the Dairen Branch which are prior to the outbreak of the War, but less reserves.

\$360,512,637 of United States Government Obligations and \$2,568,793 of other assets are deposited to secure \$287,554,445 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

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## SHOULD YOU BUY NOW?

April will bring a critical test for investors. It may be all too easy during the next few weeks to *misinterpret* the market's action. Next Tuesday's **STOCK TREND SERVICE** Bulletin will contain an especial and most timely discussion of many factors involved in the current period of stock market doubts and cross-currents. Good judgment and good counsel for the period ahead are of paramount importance.

### SPECIAL GET-ACQUAINTED OFFER

If you have not had previous opportunity to inspect **STOCK TREND SERVICE'S** twice-a-week Bulletins, stressing timing of purchases and sales, you may have our April Forecast, current Dow Theory analysis, plus Bulletin issues of April 15, 18, 22, 25 and 29 (the latter containing Cycle Forecast for May), \$2 ☐

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Div. F-415, Springfield 3, Mass.

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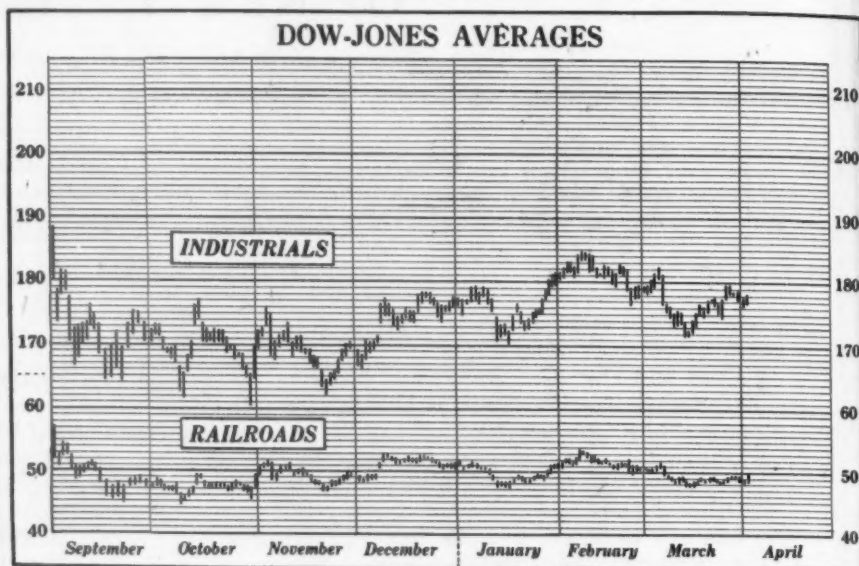
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## MARKET OUTLOOK

# Common Stocks Least Inflated

By HARRY D. COMER



CONTINUED high cost of nearly everything has its origin in the dilution of the dollar, in turn caused by wartime inflation.

To expect any early and important decline in the *cost-of-living* is to indulge in wishful thinking. It is believed that the average working family normally spends one-third of its income for food, one-fifth for housing, one-eighth for clothing. Adding fuel and lighting, these items amount to 70%, leaving 30% for sundries.

*Food costs* are bound to remain high until world production can be stepped up substantially. Even then domestic prices will not return anywhere near pre-war, because of high labor and other production costs, high buying-power of consumers, and government policies on farm products.

*Rent* now consumes about the smallest proportion of family income on record, due to "freezing" of wartime ceilings. In due course this item in living costs is bound to rise in reflection of actualities in that field.

One of the best ways to cope with these high living-costs is to take advantage of the liberal dividend yields now available on common stocks. Also, to preserve or increase one's capital there is no field now so promising as common stocks.

Our last issue pointed out that common stocks are the least inflated ele-

ment in our whole economy. That is the one remaining way to buy equities in property at prices, in many cases, far below reproduction costs.

Take *U. S. Steel*, for example. These essential properties could not possibly be reproduced at the book value figure, \$142 per share. Yet current price is just about half that.

*United Aircraft*, at 20, is far below its net working capital value alone, with zero allowed for plant investment. *Lima Locomotive* is now available at 55; yet book value at last year-end exceeded \$85 per share. *Standard Oil of Indiana* had book value of over \$56 per share at last year-end. Present price, around 40. *Newmont Mining* holds stocks in leading mining and oil enterprises (especially Kennecott Copper, Phelps Dodge, Hudson Bay Mining, Continental Oil, Rhodesian Anglo-American).

Among other selected issues which are now priced low in relation to book assets and/or net working capital values are: *Todd Shipyards*, *Western Union A*, *Youngstown Sheet & Tube*, *Bethlehem Steel*, *Douglas Aircraft*, *Bell Aircraft*, *International Harvester*, *Interlake Iron*, *B. F. Goodrich*, *General Refractories*, *Foster Wheeler*, *Jones & Laughlin Steel*.

Advance release by air mail of this regular article will be sent to interested readers on the day of its writing. Rates on request.

**FORBES**



## Earnings Outlook Analyzed

By JOSEPH D. GOODMAN

**M**OST important among recent events has been the reduction in prices by International Harvester. It is hoped that industry, in general, will do likewise wherever possible.

Plainly, normal relationships in the price field have been badly out of balance. The big increase in overhead has forced prices of goods so high that many people have been priced out of the market. Because of the difficulty in reducing wages, the only alternatives for industry are new methods of production at lower costs, or reduced prices in order to maintain a large demand for goods. Of course, where over-production occurs, the earnings outlook becomes dubious. As recently mentioned here, some industries have already been hurt by over-production or declining demand; and I have advised readers to avoid the stocks in such industries.

### EARNINGS AT PEAK?

*It is also worthwhile to keep in the back of one's mind the probability that in many cases current large earnings will not be maintained for the next few years.*

It is interesting to recall that in 1920 (a declining year in stocks) that U. S. Steel common earned \$16.62 per share. In 1921, earnings had dropped to \$2.24. In 1920, International Paper earned \$53.18 per share on the common stock then outstanding. The following year, a large deficit occurred.

Then, as now, the market was unwilling to attach much weight to the large current earnings; the verdict of the market proved to be subsequently correct, as the decline in earnings indicated.

It is true now, however, that the pent-up demand for various items is much greater than after the first World War. But the market is also taking into account the present heavy overhead, and new financing which places prior charges ahead of common stocks.

*The basis exists for believing that when various industries suffer a decline in demand, profits will vanish quickly.*

The foregoing is one of the reasons why I have urged great caution in new purchases. I have tried to select the industries whose earnings will be at least subject to heavy declines in the next few years.

In the case of the oils, for instance, there will no doubt be a huge demand for oil and gasoline this year, and these companies should do well.

*Oil stocks are still attractive for gradual accumulation. These stocks were not overboomed last Summer, and could well be the leaders in the next bull market.*

Last Spring I urged the sale of stocks I considered over-boomed, such as aviations, textiles, liquors, movies, etc. That the stock market was correct in showing heavy declines in these stocks last Fall has been confirmed by declining earnings for these groups. I am 53, but I do not expect to see these groups reach their highs of last Summer again during the balance of my life. This situation is similar to the price levels reached by the sugars and shipping stocks during the first World War, the utilities, rails, and radios in 1929—none of which has recovered anywhere near the highs reached then.

### FAVORED STOCKS

So at present I would stick to the oils, utilities, coppers, motor accessories, and other special issues having demonstrated merit, such as *Allied Chemical, Reynolds Tobacco*.

Should the bill to reduce taxes be approved (maybe over the President's veto), and should a sound peace treaty with Germany be approved, a new appraisal of the investment outlook will be in order. Eternal Vigilance is always necessary in the stock market. Should such developments occur, the effect on the market should be favorable.

Grain and cotton prices are fantastically high. The long-term outlook for these is bearish.

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## Executive's Criticism Answered

THE Investors League has received some very trenchant comments on its recent recommendations that stockholders be given a greater voice in corporate affairs. The following is from an important corporation executive:

"I own some shares of stock in an oil company. I know nothing at all about the conduct of that kind of business. I have had no experience in it. As a stockholder I receive the proxy statements, quarterly statements, annual statements, the company magazine, and other information from the company from time to time from which, together with information which appears in the press, including stock market quotations, et cetera, I get all the information I need to know whether I am desirous of continuing to own that stock.

"My primary interest, which I presume is true of other stockholders in that company, or any other, is to know whether the company is solvent, operating profitably, making progress in its industry, and continuing its dividend payments to me. If I am not satisfied and think that my investment would be better elsewhere, I can sell the stock on the Stock Exchange and invest my money elsewhere.

"Since I have no knowledge regarding the conduct of an oil company, I could be of no assistance, either directly or indirectly, to the management of it, and I would not join with other stockholders to have stockholder representation interfering with the management and further complicating and confusing their already very difficult responsibilities."

### STOCKHOLDERS CO-OPERATIVE

This letter undoubtedly reflects the attitude of many executives. They seem afraid that if stockholders are invited to take a greater interest in corporate affairs, the tendency may be to complicate management problems.

This may be a natural fear because a few unruly stockholders have caused considerable trouble at stockholders' meetings in recent years. However, these stockholders are not representative of stockholders generally.

The average stockholder, in the League's opinion, is desirous of being as co-operative with management as he is permitted to be. He does want to know what he is doing, however. He resents getting a proxy statement,

for instance, and being asked to sign it with little or no knowledge of what the subject is all about. He feels, in all probability, that he is being a mere rubber stamp.

The Investors League has no thought of suggesting that stockholders take over management or interfere with management. It believes that stockholders should be familiarized to a much greater extent than heretofore with the problems which arise in management operations having to do with questions of public interest, including drastic wage demands.

### AID TO MANAGEMENT

*If stockholders are familiar with the problems of management, they are much more likely to be sympathetic, and they can be very helpful at political elections in removing some of the more serious obstacles with which corporate managements have to contend.*

The decisions of managers of our large corporations may have a greater bearing on the lives of our people than the decisions made by our representatives in government. Under the circumstances, stockholders not only have the right to voice their opinions on corporate affairs; they have the responsibility of voting intelligently.

*They are, in fact, duty-bound to see to it that the corporate directors whom they elect follow a course which is beneficial to the general public. Democracy and the free enterprise system, which we enjoy, may not always be with us unless stockholders in the future accept this responsibility.*

By encouraging them to organize on a scale commensurate with labor unions, the Generals of industry would have behind them an effective army in their battles against unfair action at Washington and against unfair demands by organized labor, a most desirable, urgently-needed consummation.

Address communications to Investors League, 175 Fifth Avenue, New York 10, N. Y. (Washington, D. C., office: 1307 H St. N.W.)

FORBES



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295. MANAGEMENT, LABOR AND THE COMMUNITY: Stating that the real answer to many of our problems will "be found right on Main Street," a top-notch industrialist, in a stimulating talk, emphasizes the need for promoting a sound employee relations program at the community level, indicates how it can be done.

296. PRODUCTIVITY, PROFITS AND LABOR: Discusses what information on the results of business operations may be given to labor with advantage to all concerned. Answers the questions: What does labor want? What is management willing to give? How can it best be given? "Must" reading for a better understanding of the proper scope and nature of a company report.

297. HOW TO BUY OR LEASE SURPLUS REAL ESTATE: This "prospects guide," prepared by the War Assets Administration, sets forth the priorities, pricing, terms, proposal procedures, etc., which apply in dealing with this government agency. Informative, interesting.

298. MIND YOUR P's AND Q's: An extremely clever courtesy manual, chock-full of cartoons, designed by a forward looking company to help its employees cultivate courteous and friendly relations with the public.

299. THE WOMAN'S ANGLE: In a provocative discussion by an authority in the field, the importance of understanding the "women publics" is pointed out to public relations men. Declaring that this most important segment of the general public now holds the balance of power, she outlines an approach to the feminine mind.

300. HOW TO EXPLAIN PROFITS: Calling attention to the many "booby-trap" words in current management vocabulary, especially those used in company reports, an expert gives some practical tips on the semantics of labor relations as a remedy for economic friction.

301. PENALTIES OF ECONOMIC IGNORANCE: Some current misunderstandings of the public regarding corporations are analyzed, in this searching booklet. Examples are cited, and correctives are offered, to help overcome these erroneous beliefs.

302. SHARING IN AMERICAN BUSINESS SHARES: Much factual information is included in this brochure on investment management and research service which will help clarify for the average investor the important role played by the investment company in providing a channel for constructive investment.

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# THOUGHTS

## ... on the Business of Life

It is to law alone that men owe justice and liberty. It is this salutary organ of the will of all which establishes in civil rights the natural equality between men. It is this celestial voice which dictates to each citizen the precepts of public reason, and teaches him to act according to the rules of his own judgment and not to behave inconsistently with himself. It is with this voice alone that political leaders should speak when they command.

—JEAN-JACQUES ROUSSEAU.

Tact is the unsaid part of what you think; its opposite, the unthought part which you say. —HENRY VAN DYKE.

Merit is sure, sooner or later, to be recognized. Never fear that the right job will not find the man trained for it. The most important thing for a young man to do is to make up his mind that the world is looking for well-trained men who can perform the big tasks that are to be done in this complex age in which we live. Paths will open ahead of him.

—FRANK O. LOWDEN.

Philosophy hath given us several plausible rules for attaining peace and tranquillity of mind, but they fall very much short of bringing men to it.

—TILLOTSON.

He that would be master of his own, must not be bound for another.

—FRANKLIN.

Talent is the capacity of doing anything that depends on application and industry; it is a voluntary power, while genius is involuntary. —HAZLITT.

The careless conversation of our day is a symptom of the shallowness of our times. It is the business of Christians to clean up their conversation; make more serious their talk and speak more freely and more frequently of their love of God, to be found in the fellowship with Christ.

—ALLEN E. CLAXTON, D. D.

There is a point, of course, where a man must take the isolated peak and break with all his associates for clear principle; but until that time comes he must work, if he would be of use, with men as they are. As long as the good in them overbalances the evil, let him work with them for the best that can be obtained.

—THEODORE ROOSEVELT.

A man that seeks truth and loves it must be reckoned precious to any human society.

—FREDERICK THE GREAT.

Complete success is not purchased at any one time, but rather on the installment plan. —FRATERNAL MONITOR.

Progress in America has resulted from the freedom of the individual to venture for himself and to assure the gains and take all the losses as they come.

—ROBERT R. WASON.

Next in importance to freedom and justice is popular education, without which neither freedom nor justice can be permanently maintained.

—JAMES A. GARFIELD.

May we never let the things we can't have, or don't have, or shouldn't have, spoil our enjoyment of the things we do have and can have. As we value our happiness let us not forget it, for one of the greatest lessons in life is learning to be happy without the things we cannot or should not have.

—RICHARD L. EVANS.

### A Text

Let every man abide in the same calling wherein he was called.

—I CORINTHIANS 7:20.

*Sent in by R. J. Herberts, Chicago, Ill. What's your favorite text? A Forbes book is presented to senders of texts used.*

Each person has an ideal, a hope, a dream of some sort which represents his soul. In the long light of eternity this seed of the future is all that matters! We must find this seed no matter how small it is; we must give to it the warmth of love, the light of understanding and the water of encouragement. We must learn to deal with people as they are—not as we wish them to be. We must study the moral values which shape our thinking, arouse our emotions and guide our conduct. We must get acquainted with our inner stream and find out what's going on in our heads and hearts. We must put an end to blind, instinctive, sensory thought and feeling. We must take time to be human. —COLBY DORR DAM.

Man cannot be satisfied with mere success. He is concerned with the terms upon which success comes to him. And very often the terms seem more important than the success.

—CHARLES A. BENNETT.

Pleasure is a necessary reciprocal: no one feels, who does not at the same time give it. To be pleased, one must please. What pleases you in others, will in general please them in you.

—CHESTERFIELD.

Wisdom does not show itself so much in precept as in life—in firmness of mind and a mastery of appetite. It teaches us to do as well as to talk, and to make our words and actions all of a color.

—SENECA.

Money and time are the heaviest burdens of life, and the unhappiest of all mortals are those who have more of either than they know how to use.

—SAMUEL JOHNSON.

If Christianity affirms anything at all, it is that human nature can be changed, genuinely, radically and permanently changed. The drunkard can reform and can become sober, the impure can become pure, the grouch can become genial, the individual who is plagued with temper or temperament can be helped to integrate his personality and can learn the secret of self-control. Modern civilization can be saved by moral renewal.

—JAMES MCCracken, D. D.

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*In response to many requests from readers, 639 "Thoughts" which have appeared here have been published in book form. Price \$2.*

FORBES



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